LASZLO VALKO

INTERNATIONAL HANDBOOK OF COOPERATIVE LEGISLATION

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INTERNATIONAL HANDBOOK
OF
COOPERATIVE LEGISLATION

International Handbook of Cooperative Legislation

By

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PREFACE

The comparative study of cooperative legislation has always possessed much more than merely scientific interest and value. It is also of practical use, for even in the countries with the oldest and most comprehensive legislation concerning cooperative societies, amendments are constantly being made, and revisions and codifications become necessary as one generation succeeds another. Today, however, comparative legal studies have a direct practical bearing upon the establishment of cooperative institutions and the realisation of cooperative ideas in countries where they are still relatively new and where no great body of experience yet exists for the guidance of either governments or cooperative administrators.

True cooperation draws its inspiration from realms where the state's writ does not run. Cooperative movements are not created by legislation. Nevertheless, without an appropriate legislative framework a cooperative movement in the form of a growing economic organism is not possible or even conceivable. The right of individuals to associate in cooperative societies and the right of the societies to unite in federations must be recognised, at least in so far that both societies and federations are indued with legal personality and enjoy the protection of the law on equal terms with all other types of business undertaking.

They need, of course, something more. Protection must not take the form of a strait-waistcoat. On the contrary, the legal harness must allow for the free play of fundamental cooperative principles and the normal development of cooperative organisations according to the needs of their members and their own laws of growth. How these principles, which are constant and common to all genuine species of cooperative association, are

to be expressed in the juristic vocabulary and given their place in the legal system of each nation is the practical problem of the legislator.

But the legislator must understand the nature of that for which he legislates. How fortunate was the United Kingdom that the Industrial and Provident Societies Acts of 1852 and 1862 were drafted by men who understood cooperation enough to know what not to put into them. And what a difference it would have made to the British cooperative movement if this legislation had been placed in the setting of the Companies Acts instead of the Friendly Societies Acts!

Comparative cooperative legislation is, of course, a proper study for the International Co-operative Alliance, a study which it has never had adequate resources in finance or personnel systematically to pursue. Nevertheless, it welcomed the opportunity of placing what resources it does possess at the disposal of Dr. Laszlo Valko for the compilation of this *Handbook.* In particular, it was able to enlist the aid of its affiliated organisations, not merely to provide information that Dr. Valko could not otherwise have obtained without much labour and expense, but also to read and scrutinise his drafts and so ensure their accuracy up to the time of going to press.

The work has taken longer to complete than was originally hoped, owing to Dr. Valko's removal from Europe to America. On the other hand, he has found in America help that he might not have obtained elsewhere in publishing the *Handbook.* It is a matter of great satisfaction to the Alliance that the study is now successfully completed.

Dr. Valko set himself a definite and limited aim: to provide a guide to the cooperative legislation of Europe. He has therefore left much for himself or others to do in the future. He has, however, paved the way, and for that those who are to drive the road farther will be grateful. Those also will thank him who, charged with framing cooperative legislation in under-

developed territories where cooperation is only now making its first uncertain steps, need help in their search for guidance and examples to imitate (and perhaps avoid) amongst the laws of European countries which are the movement's original home.

W. P. WATKINS, Director
International Co-operative Alliance

London, December 30, 1953

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INTRODUCTION

THIS study seems to be the second attempt during the first century of cooperative legislation to assemble the cooperative laws of various countries. It is primarily a reference book designed as a guide for people desiring to become acquainted with the legal status of cooperatives all over the world.

In the first such publication—Margaret Digby's *Digest of Cooperative Law at Home and Abroad* (published by The Horace Plunkett Foundation, London, 1933)—the legal development of cooperation during eighty years (1852-1932) was summarized. This famous study laid the groundwork for later studies by collecting 2,215 acts, ordinances, and decrees of 129 states and colonies and publishing material concerning them in the first complete international handbook of cooperative legislation. With the notable exception of the British Industrial and Provident Societies Act of 1852, the fundamental cooperative laws in the various countries were, in large part, enacted during the last twenty years of the nineteenth century. However, as Margaret Digby stated in the introduction of her *Digest,* the legal "process has been most rapid within the last fifteen years, (*i.e.,* 1915-1930) in which a great speeding up of cooperative legislation has taken place, and it is by no means at an end."

This prophecy was entirely correct. The next twenty years, the period between 1930 and 1950, produced an astonishing number of cooperative laws. This mass production was not only a consequence of the rapid development in cooperation but also a natural result of the world conflicts, economic depressions, and war conditions followed regularly by a confusing uncertainty in political and legislative affairs. As in any other kind of mass production, this long series of cooperative legal creatures represents a progress in quantity rather than in quality. Several

times political conflicts influenced cooperative legislation of this period: forced legal provisions were enacted and usually issued in the form of dictatorial decrees. Actual anti-cooperative laws, restricting the progress of free cooperation, were also promulgated during this time.

However, a great number of fundamental acts were also created in various countries; thus crystallizing the legal definitions and provisions in more progressive form in the interest of the development of sound and genuine cooperation. With respect to historical development, a reviewer of cooperative legislation during the last two decades does not have the right to become selective, collecting the stable and juridically more constant laws and omitting those creatures of political oppressions and unsound changes. Both types of legislation—those created in the interests of true cooperation and those forced measures that distorted the basic principles of the movement—are significant in examining the historical development of cooperative legislation. Therefore, both types are included in the following summaries, even in the case of forced actions that were outlawed within a short time and only disturbed the historical evolution of cooperation for a transitory period.

The main purpose of this *Handbook* is to summarize the cooperative legislation of various countries in as clear and simple form as possible. No juridical comments are made or any conclusions included that may represent an individual viewpoint or confuse the objective presentation of the material. The author was careful to avoid any attempt to mislead him from his intention to inform. Very exciting and interesting problems arose during the study and offered innumerable opportunities for special discussion of several questions by a comparison of various legislations, of the different applied systems, and of methods that should really contribute valuable comments from the standpoint of a cooperative jurist. However, such discussions are entirely excluded from this study. No comments, personal

remarks, observations, or any kind of critical examination are expressed in the explanation of the various cooperative laws. The *Handbook* has a single intention; to put on display the hundred years' development in the majority of European countries cooperative legislation by simple summaries so that the material presented will be an objective guide for anybody interested in further detailed studies.

Those who have attempted to compile international material relating to several countries are aware of the difficulties and handicaps to be surmounted before a plausible presentation can be made. To compile the immense amount of material on cooperative legislation in the various countries also requires basic and preliminary understanding and study. Since cooperative laws are generally created out of the needs of practical cooperation, such legislation is closely related to the actual conditions of cooperatives in each country. Nobody can correctly consider the legislative side of cooperatives without learning the place and importance of those cooperatives in his own country. Furthermore, cooperative legislation is always only a special part of the general legislation, and it is evidently necessary to know at least the framework and system within which the legislation takes place.

The author, as compiler of the material, attempted at every opportunity to present the unique features of cooperative legislation and the general national or social background of that legislation. Personal visits to most of the countries studied and many preliminary studies were made during the four years spent in preparing the study.

The method applied to compile the various cooperative laws and to put them into the form of a *Handbook* for reference purposes made it necessary to combine the advantages of individual writing and those of a collective information service. This *Handbook* might be more useful if the methods applied

and all the important phases of the working plan are briefly explained.

The starting point for the study was the excellent book by Margaret Digby—a complete presentation of cooperative legislation before 1932 in selected countries of the world. This material gave correct information concerning the first eighty years of cooperative legislation, and it is quoted several times in this study. Only slight corrections were needed as a result of a careful review.

The International Labor Office in Geneva, through its Cooperation (now: Cooperation and Handicrafts) Service, has conducted an international registration of cooperative laws since 1932. This material is published in mimeographed form as a special number of the *Cooperative Information* at the end of each year. (However, no special issues concerning cooperative legislation have been published after January, 1953. Instead, notes are included in the regular numbers of the *Cooperative Information.*) Eighteen issues of "Legislation on Cooperation" appeared previous to 1953. However, a careful examination of the material in Geneva made it clear that the fact of registration by the I.L.O. does not mean that the mentioned laws are available there. Particularly during the thirties, the registration was usually based on the reports of national correspondents. No further examinations were made concerning the completeness of those reports. Since 1946 this registration service has been based also on review of the official gazettes of various countries in which laws and orders are published regularly. This method made the I.L.O. service more complete. Also timely reviews of the most important national cooperative laws were published in *Cooperative Information.* The *Yearbook of Agricultural Cooperation* published annually by The Horace Plunkett Foundation usually contains a special report on cooperative legislation.

The first lists of laws were collected for the most part from these sources. These lists were then submitted to various authorities of the countries selected. In this way the work of the author was integrated with the international collective assistance of the interested states. The aim was to let experts in each country check the lists of the laws and orders and also to acquire a copy of the most important and generally valid acts in cases where no texts were available abroad. It required considerable time to get adequate information on hand. Members of the International Cooperative Alliance were officially requested to assist the study. Similar and very useful help was given by the Cooperation and Handicrafts Service of the International Labor Office in countries not affiliated with the I.C.A., and, in certain special cases, by the reference library of The Horace Plunkett Foundation. Most of the various laws were available only in their original form. A few were available in one of the three official languages of the I.C.A. (English, French, and German). The very complicated work of translation was done partly by the members of the Department of Foreign Languages of the State College of Washington and partly by foreign students at the College coming from Denmark, Finland, Iceland, Italy, Norway, and Turkey. The international contacts and nature of the State College of Washington helped the progress of the study considerably. The inter-library service of Iowa State College also assisted efforts to assemble the legislative material. In addition to the official government or cooperative institutions, a large number of friends and colleagues helped the author with constructive suggestions and advice during the long procedure of compilation.

How to apply the various forms of legal definitions as used in the different legislations of the states was a further technical and quite complicated problem. The attempt to put them on a uniform basis failed because such a standardization would mislead the reader and even give an incorrect interpretation. It is

quite evident that no language could give back in translation the precise form of certain definitions as used in the original. Therefore, the study simultaneously uses, for instance, the words "acts," "laws," "orders," "ordinances," and various types of "decrees," always keeping in mind those expressions most suitable to the original (national) form. It appears certain that less confusion and misinterpretation will thus result than by adopting an artificial, uniform terminology. It should be mentioned that different definitions exist in various countries for the same institutions, legal bodies, or cooperative organs. The original form has been followed in the translation. Therefore, the study uses, for example, many similar definitions: articles of incorporation and statutes; bylaws and rules; manager, director, board of directors, and administrators; etc. There is even no definite use of the words "society" and "association" in conjunction with cooperatives. However, it is generally accepted that there are consumer cooperative "societies" and, on the other hand, agricultural cooperative "associations."

All chapters were prepared first as drafts and submitted for critical comments to the national cooperative organizations participating in the assembling of the material. Besides the aforementioned national and international institutions, several legations and embassies in Washington, D.C., and diplomatic service men from the U.S. government accredited in Europe helped the author transmit the texts to the ablest cooperative legislation experts in the respective countries. The purpose of these preliminary reviews was to eliminate the errors without diminishing the responsibility of the author. The careful review of the drafts by countries took considerable time but resulted in several valuable suggestions on how to put the final text into a more complete and correct form. In the cases of Denmark and Sweden, where a specific legal status of cooperatives exists, a rewritten form was even suggested, which, with minor modifications, replaced the original text. However, no comments were

made by the authorities in Iceland and Yugoslavia. Since no direct and official information was obtainable from Spain, that text was based on reliable private information and was not reviewed by special experts. Appendix I, containing the legislation of the three formerly independent Baltic states and of the short-lived free city of Danzig, is similarly based on semi-official or on private information and was not submitted to any institution for preliminary correction. Because of the tremendous volume of cooperative legislation, there is still a possibility that some errors may have crept in despite the cautious preliminary reviewing and the conscientious preparation of the text.

The following comparison should give an idea of the amount of material compiled for this study. This volume contains the cooperative legislation of twenty European countries and of the free territory of Trieste. For technical reasons, the material from six Eastern European countries (Albania, Bulgaria, Czechoslovakia, Hungary, Poland, and Rumania) and from the Union of Socialist Soviet Republics (U.S.S.R.) was omitted. There were 841 cooperative laws from these twenty countries in Margaret Digby's *Digest,* to which she added listings or details of 1,374 laws: 97 from the above-mentioned six Eastern European states, 254 from the U.S.S.R., and 1,023 from other overseas countries, colonies, and dependencies.

The present study lists the following number of laws and orders in the respective chapters:

Austria	31
Belgium	49
Denmark	42
Finland	26
France	435
Germany	139
Great Britain	56
Greece	103
Iceland	9

Ireland	46
Italy	229
Luxembourg	20
Netherlands	8
Norway	34
Portugal	73
Spain	73
Sweden	28
Switzerland	24
Trieste	2
Turkey	7
Yugoslavia	60
Baltic States:	
Estonia	23
Latvia	27
Lithuania	2
Danzig	4
	1,550

The most important laws are described in detail in the text of the chapters. Special attention was devoted to summarizing the basic and valid laws. These are also marked with an asterisk (*) in the lists. However, the validity of the laws is a relative and changeable fact. Legislation is not a static procedure. Laws in force at the time of the writing of this study may be abolished, modified, or amended by the time of publication. As far as it was possible, all efforts were made to bring the compiled material up to date to March, 1953. The most vital changes in the cooperative legislation of various countries during the period of preparation were observed and added to the original text. It should be mentioned that in several countries the "expressis verbis" cooperative laws aren't the only ones defining the legal status of cooperatives. General laws also very often contain specific provisions for cooperative organizations. There-

fore, they are usually explained in the text or at least added to the list of laws. In certain cases, it was not sufficient to explain the legal situation without referring to significant cooperative or economic facts and presenting a general picture of the specific national conditions.

This *Handbook*—not only by its subject, but also in the way and by the method applied as it was prepared, the material assembled, and the text put under the preliminary review of various national experts—is really a work of cooperation. There is no place to thank all institutions and persons individually for the valuable suggestions and advice that assisted the author in putting this compilation into final form. This assistance made it possible to continue the important work of compilation not done since 1933 when Margaret Digby's *Digest* was published. Further progress will be easier after our efforts to discover the facts of two decades of rapid changes and unexpected historical transformations, and years clouded with a permanent burden of disturbing uncertainty.

INTERNATIONAL DEVELOPMENT OF COOPERATIVE LEGISLATION

SEVERAL unsuccessful practical attempts and an even greater number of theoretical and idealistic written or oral proposals preceded the opening of the Toad Lane cooperative consumer store in Rochdale. The efforts of the Rochdale Pioneers to establish a stable and lasting consumer society finally succeeded in 1844. Their formula for establishing this type of business enterprise was laid down in the first rules of the Equitable Pioneers and gradually became crystallized as the Rochdale Principles. These principles were generally adapted by cooperatives all over the world during the following century.

The slowly growing cooperative store in Rochdale symbolizes the successful start of cooperative history. In its primitive form the pattern was cut for the consumer cooperation of the future. It was not only a simple store, but the first successful cooperative store to appear as an economic unit. However, its divergencies from other types of general business organizations very soon made it evident that not only the economic purposes but also the special construction of this form of business required special legal provisions.

The first cooperative societies, including the society of the Rochdale Equitable Pioneers, existed as legal bodies under the law. They were not at all organizations without any legislative directives or prescriptions. They were registered at that time under the Friendly Societies Acts, which had provided the legal form for such societies since 1793. But the new cooperative societies differed considerably from the Friendly Societies in purpose as well as in construction. They were organized for the economic strengthening of weak individuals by self-help; not to provide the charitable assistance and protection extended by

the Friendly Societies, against the ordeals of sickness, unemployment, and other unexpected emergencies.

These first cooperative organizations—then called "mutual trading societies"—very soon required special legal treatment. The legal form provided by the Friendly Societies Acts did not fit the economic postulates of cooperative societies. Their business activity was limited considerably by regulations forbidding them to buy land, to trade with nonmembers, or to make investments except in government securities. This legal dress was either too tight or too loose for cooperatives. They obviously needed their own particular legal uniform.

The cooperative societies were specifically legalized when the world's first cooperative law was passed by the British Parliament in 1852 in the form of the Industrial and Provident Societies Act. This opened the road for the development of cooperative legislation, which closely followed the practical progress of the movement. As the historical fact and the enactment of the first cooperative law in Great Britain show, special legislation did not precede the birth of cooperative societies, but came about later because of needs in practical situations. This legal development of cooperation is really an integral part of the practical evolution of the societies. Its history cannot be separated from that of the practical movement. Therefore, in addition to the economic construction of cooperatives, it is evidently important to also recognize their special legal status.

The following brief description will cover the most important features of the hundred-year development of cooperative legislation. During the century following 1852, almost 4,000 different cooperative laws, orders, and decrees were created in different countries of the world. The number of statutory provisions kept step with the progressive evolution of cooperation.

When Margaret Digby summarized the cooperative laws of all countries in her *Digest of Cooperative Law at Home and Abroad,* she also set up a specific classification for various

cooperative legislative systems. She distinguished five or six principal types. The earliest was exemplified by the British Industrial and Provident Societies Act; which, however, served only as a pattern for cooperative legislation in Great Britain and in the British colonies. The Central European type (Germany, Austria) and the Latin type of cooperative legislation (France, Belgium, Italy) were adopted and followed by several countries on the European continent. Two or three special types of cooperative legislation were also developed, mostly in non-European countries such as India, the United States, Japan, etc.

Instead of examining these detailed classifications of cooperative legislation, we may get a clearer look at the historical development of cooperatives by making a general classification of legal conditions. It is important to notice that various legislative systems are often similarly influenced by the experience of some individual country with well-developed legislation. On the other hand, particularly in those countries where the legislative construction is based on constitutional provisions or on significant traditions, even a specialized form of general legislation will always bear the special characteristics of the national legislation. These two basic elements will influence the individual construction of cooperative laws in the different countries. We can observe certain general provisions that may be designated as basic principles of cooperation, applied by all types of cooperative laws. In certain countries more local (national) elements will affect the form of cooperative laws. However, even these usually adopt most of the general principles.

In considering the legal status of cooperatives in the twenty European states covered by chapters of this *Handbook,* two main patterns of cooperative legislation are evident: (1) the laws, decrees, and regulations in those countries where no special cooperative act(s) provide the legal conditions for cooperatives, but where the organizations are regulated as other

types of commercial societies (in such cases, the commercial laws—Code of Commerce, etc.—usually contain also the provisions for cooperatives); and (2) the legislation in those countries where a general cooperative act exists for all types of cooperatives. In both cases one may also find special cooperative laws, in general pertaining to agricultural cooperatives.

In the first case the cooperative business is treated on the same basis as any other business. Sometimes legislation recognizes it as a particular form of business activity and provides a special section, title, or chapter of the law for cooperatives. Such examples occur in Belgium (Code of Commerce, 1873, Title IX amended in 1935), France (Law on Societies, 1867, Chapter III, lately amended in 1948), Italy (Code Civil, 1942, Title VI), Luxembourg (Act on Commercial Societies, 1915, Section VI), Netherlands (Act on Companies and Societies, 1855), Norway (Commercial Law, 1935), Portugal (Law on Commercial Societies, 1867, and Code of Commerce, 1888), Switzerland (Code of Obligations, Revision of Chapters XXIV to XXXIII, 1936), and Turkey (Law of Commerce, 1926). Several of these countries enacted special cooperative laws. In France, in addition to the several important basic laws concerning mutual credit and agricultural cooperation and laws pertaining to consumer and other types of cooperative organizations, a general law on cooperation was promulgated (September 10, 1947) that should be considered as the first chapter of any planned Code of Cooperation.

General cooperative acts are in force in Austria (1873), Finland (1901), Germany (1889), Great Britain (1852, latest consolidation in 1893, and last amendment in 1952), Iceland (1937, modified in 1938), Ireland (1893), Italy (1947), Luxembourg (1900, revised in 1945), Netherlands (1876, revised in 1925), and Sweden (1951). In many countries consumer-type cooperatives usually prefer to be regulated by the general commercial laws. This is particularly characteristic

of Denmark. It is primarily the special conditions of agricultural cooperatives that demand individual legislation, above and beyond any existing general cooperative law.

It is significant that countries with well-developed and economically sound cooperatives also have a stable cooperative legislation. Usually only minor amendments are needed to follow the natural changes of economic conditions in such countries and to bring up to date the basically sound fundamental laws. Finland has not modified her basic cooperative law of 1901. In Sweden the cooperative act of 1911 was in force forty years and was only replaced in 1951. Austria still applies the early cooperative law of 1873, although certain important amendments, particularly concerning auditing and supervision of the societies, have been added. The cooperative act of 1889 is still the fundamental law for general cooperation in Germany. However, a new bill submitted in 1953 to the Parliament of West Germany would modify the controversial Article 8, paragraph 4, of the basic law, which during its long existence strictly forbid, and even punished, business with nonmembers.

In certain countries there are many laws, orders, and specific decrees, appearing for the most part since the early thirties, which restrict rather than assist cooperative activities. In some periods political changes and transformations of governmental and constitutional forms severely affected the sound development of cooperation. During the last two decades the legal status of cooperatives underwent considerable change in many countries. In some cases the new legislation clearly opposed the autonomous form of cooperatives. These legal decrees usually dissolved the former cooperative organizations or incorporated them into new institutions under strict government control and in the hands of the state authorities responsible for the new legislative actions against cooperatives. Besides these openly "anti-cooperative" laws, another type of cooperative legislation appeared after World War II in several countries where sharp

political change established new concepts and systems of public life.

This new legislation abolished any concept of political neutrality on the part of cooperatives and obliged them to become a directed part of the state economy based on compulsory political principles. However, such applications of cooperative legislation are the perennial subject of heated discussions, and there is a widespread tendency not to accept such legal acts as conforming to the generally known and adopted system of cooperative legislation in other countries.

The progressive development of cooperative legislation during the last one hundred years proves the necessity of the state paying special legislative attention to cooperation. The interest of the state may be expressed by various grades of intensity in the legal actions. In the classical example of the British Cooperative Act, the legislature created a general legal framework for cooperative enterprise without restricting the cooperatives' autonomy or exercising any kind of state intervention under the mask of protection or active assistance. The act prescribed instead the external character of a cooperative society. The internal substance has to be embodied in the rules.

Certain other cooperative legislation adopted the same attitude: the law only provides the general basis for protection of the cooperative character. The real substance, however, has to be created by the rules of the societies themselves—rules expressing the real intentions of the participating members. Therefore, in several cases, the state cooperative legislation determines only the external limits within which cooperatives will function as provided by their own rules. These laws are only generally characteristic for the specific legal status of cooperatives. The more detailed and probably more characteristic cooperative principles are formulated by the rules that always form an important part in the legal consideration of the status of cooperatives. But there are other tendencies in some new legislation in which

the legislature creates a more definite and strictly limited "uniform" for cooperatives. This usually involves a more direct state control over cooperative functions. One must examine the provisions of each individual law of this type to determine how far it protects the interests of free cooperation and how much it operates to transform cooperatives from autonomous organizations into a state-controlled form of business organization.

The historical evolution of cooperative legislation shows clearly that sound legislation can only follow the natural development of true cooperation: it can never precede the living cooperative society. This is a real postulate when we determine the correct form of special legislation for cooperatives. The law can never create true cooperatives but only artificial organizations. A useful cooperative law can be created only where practical cooperation exists.

AUSTRIA

THE present legal status of cooperative societies and associations in Austria is based upon the laws and orders of four important phases of political and constitutional change in this state. Austria, as the leading state of the former Hapsburg monarchy, became a democratic republic in 1918. Twenty years later, in March, 1938, Nazi Germany occupied the country and annexed it as *"Reichsgau Ostmark"* into the German Empire (*Reich*). Austria lost its independent legal functions, as well as its political freedom.

After World War II, liberated Austria re-established its former democratic republic. The new constitution, enacted in May, 1945, restored the legal life of Austria. It declared *generally* all laws, orders, and other legal regulations enacted after March 13, 1938, to be rescinded that did not conform to the free and independent opinion of Austria or to the basic principles of genuine democracy or that were against the legal belief of the Austrian nation; *i.e.,* those laws, orders, and regulations representing the typical line of thought of national socialism.

The government had to state by order the list of abolished Nazi laws. However, some regulations enacted during the period of the Nazi occupation (1938-1945) remained in force as *temporary* laws or orders until the final re-establishment of Austrian legal life. Since Austria (1953) is currently under allied occupation of the Soviet, French, British, and American powers, it is divided into four zones. Hence, an independent state life and the legislative functions of the Austrian nation are still limited.

However, some laws—such as the "Law on Private Associations, 1840" and the "Law on Cooperative Credit Societies, 1852"—contain certain regulations pertaining to cooperative

(credit) associations. The basic general law for cooperative associations is the "Law on Productive and Economic Cooperative Societies" of April 9, 1873.

This law defines and regulates the general activity of cooperative societies. It was amended three times by the following laws: (1) July 15, 1920, (2) August 3, 1934 (first amendment to the law, 1934), and (3) November 24, 1936 (second amendment to the cooperative law, 1936). It contains five main chapters with 95 articles.

As Article 1 points out, regulations of this law determine the functions of societies with unlimited (open) membership, which promote the productive or economic purposes of their members through joint business organizations or credit facilities. These societies include: credit societies, raw material and warehouse societies, production societies, consumer societies, housing (building) societies, and others. The liability of the members (Article 2) may be conditional, *i.e.,* limited or unlimited according to statutory provisions. This liability can be limited to the value of one share. The minimum value of shares in the consumers' societies is at least seven schillings.

The following are requirements for the formation of cooperative societies: (1) adoption of a title; (2) the writing of its formal statutes; (3) the registration of these statutes in the Cooperative Register.

The registration of cooperative societies was regulated by the order of May 14, 1873 (issued jointly by the Ministries of Justice, Interior, and Commerce with the consent of the Ministry of Finance). This order was amended by the Ministry of Justice on March 10, 1923. This amendment gave special consideration to the Raiffeisen-type credit societies. Both orders are still valid for the present registration procedure of cooperative societies. Before any cooperative society can be registered, it has to prove that an auditing union will accept its affiliation in case of the registration.

Each member has to sign an application form before joining the society (Article 3). The name of the cooperative society has to express clearly whether it functions with limited or unlimited liability ("*mit beschränkter Haftung*"—"*mit unbeschränkter Haftung*"). The main chapters II and III (Articles 53-59 and Articles 76-86) provide special regulations on the liability for these two types of cooperative societies.

The statutes (articles of incorporation) must contain the following provisions: (1) name and residence of the society; (2) the purpose of the society; (3) the time of existence, if it is limited to a certain period of time; (4) the requirements for admittance of new members; special statements for terminating membership (resignation, death, or expulsion); (5) face value of the shares (as provided by the "Gold Balance Order" or "Transposition Order," the lowest amount for a cooperative share must be one Austrian schilling, or for consumers' cooperatives at least seven schillings); (6) the closing of the records, the determination of profits, the auditing of the balance sheets, and the distribution of the profit or covering of the loss by the members; (7) the election and organization of the board of directors; (8) the manner of holding membership meetings; (9) the right of voting; (10) voting majority required in special cases; (11) the forms of issuing notices and publications; (12) member liability statements—if it be "limited" liability, the size of the limitation must be indicated; (13) naming of the first members of the board of directors or other charter members who will act for the registration of the society.

The elected board of directors represents the society legally. It may have one or more members who may or may not be paid. They have to give their signatures for the Cooperative (Commercial) Register (Articles 15-16). They are responsible for directing the society as provided by the statutes or rules and for keeping financial records. The board of directors has to submit to the members during the first part of the business year the

balance sheets and business report concerning the previous year. A report is also required concerning the number of members who are resigning and those who recently joined (Article 22).

The statutes may organize a control body as auditors. This group has the right to supervise all branches of the management, to look over the business accounts and books of the society, and to control the amount of cash balances (Article 24).

Rights of the members, particularly concerning the business management, the control of the balance sheets, and the distribution of profits, will be set up by the general meeting of all members. Each member has one vote. However, the statutes might provide otherwise. If the number of members reaches at least 1,000, the statutes may organize a delegate-body to which members will be elected for a term not to exceed one year (Article 27). The calling of a general meeting, its function, and the adoption of decisions are generally regulated in Articles 28-34. The most important resolutions, such as amendments, changes of statutes and rules, and dissolution of the society, must have a two-thirds majority vote. However, at least one third of the members must be present or represented at this meeting.

The cooperative society can be dissolved by: (1) ending of the term for which it was founded; (2) an adopted resolution; (3) becoming bankrupt; (4) legal order of authorities and in some special cases as provided by the amendments of the cooperative laws of 1934 and 1936.

A special order issued March 21, 1918, regulates the case of bankruptcy of production and economic cooperative societies. This was revised and amended by a law (dated October 9, 1934) concerning the dissolution and abolition of associations and cooperative societies. However, this latter law was in force only during the national socialistic regime in Austria.

The control procedure for the business activities of cooperative societies was laid down by the law (dated June 10, 1903) concerning the revision of production and economic cooperatives

and other associations. The most important regulation of this law is defined in Article 1, which orders that all registered cooperative societies and associations (as listed in Article 1 of the General Cooperative Law of 1873) must allow an expert auditor who is not an employee of the society to audit all branches of the management and their business activities at least biannually. For this purpose auditing unions will be established with a minimum membership of fifty societies (associations). However, for cooperative societies that do not join the auditing unions, the court (tribunal) of commerce will designate an authorized auditor.

The Executive Order of this auditing law was issued on June 24, 1903, and regulates in 28 articles all details as to the general methods and system of auditing. These include: the registration of auditors, methods of the revision procedure, and also the official form of the audit report. In the control procedure the auditor has to include in his report (1) general data of the controlled society (as respecting its foundation, statutes, rules and organization, legal status, liability of the members, and value of the shares); (2) the membership; (3) the management; (4) the board of auditors; (5) rules concerning general meetings; (6) general business methods; and (7) the cause and purpose of the revision.

A law of the first Austrian republic on June 15, 1937, established and regulated the status of credit cooperatives for civil service employees (*Beamtenkreditgenossenschaftsgesetz*). These cooperatives were to come under the supervision of the Ministry of Finance, and special orders were introduced diverging from the regulations of the Cooperative Law Amendment, 1934, and the Cooperative Auditing Law, 1903.

Other important laws regulating the legal form, foundation, business activity, and management of "housing societies" were issued during the Nazi annexation on February 29, 1940 (*Wohnungsgemeinnützigkeitsgesetz: W.G.G.*). In spite of its

general introduction, which emphasizes and points out some of the political ideas of the Nazis, the law remained in force and unrevised under the democratic government of the Austrian republic. Apart from the political phrases of this law, the general purpose—to establish healthy and proper housing facilities for families on a cooperative basis—may be accepted also in a democratic state system. Since the legislative function of the Austrian government was still limited in 1953 by the alien occupation authorities, there was not an imminent urgency to abolish or revise this Nazi law. Also the status of the property rights of these cooperative housing societies remains unchanged.

During the Nazi regime in Austria four important orders concerning cooperative societies were issued. One (dated June 30, 1939) regulated the amalgamation of cooperative societies. Three executive orders during the years 1939, 1942, and 1943, brought certain legal changes into the field of cooperation. These special orders or certain parts of them have not been amended or abolished since the reconstruction of independent Austria. One special order concerning consumer's cooperatives in relation to war-economic conditions (February 18, 1941) with its six executive orders was not formally abolished. However, it lost its validity automatically as the new law (November 19, 1947), concerning the reorganization of the dissolved consumers' cooperatives, came into force. This short law, containing only four articles, is the only cooperative legislative action in Austria since her liberation. It contains special provisions for the reconstruction of Austrian consumers' cooperative to the "General Consumer Cooperative Society of Austria" (Vienna). It gives some authorization for the consideration of financial compensation for dissolved consumer societies and for their reorganization. No new regulations have been issued or legislative actions taken by the Austrian Parliament in the field of agricultural cooperation since the proclamation of the re-established democratic republic on May 1, 1945.

Law on private associations—1840.
Law on cooperative credit societies—1852.
*Law on cooperative societies—April 9, 1873.
*Order concerning the registration of the cooperative societies—May 14, 1873.
Law on cooperative societies and stamp duty—December 27, 1880.
Law on favorable taxation of cooperative societies—June 1, 1889.
Order on the taxation of cooperative societies—June 13, 1894.
*Law on the supervision of cooperative societies—June 10, 1903.
*Order to the law on supervision of cooperative societies—June 24, 1903.
Law on the taxation of building societies—December 28, 1911.
Law on the taxation of cooperative societies—January 3, 1913.
Law on the taxation of housing societies—May 18, 1915.
*Order concerning bankruptcy and liquidation of cooperative societies —March 21, 1918.
*Law amending the cooperative law of 1873 (first amendment to the cooperative law of 1873)—July 15, 1920.
Law on taxation—1922.
*Order respecting procedures for notification to cooperative registration —March 10, 1923.
Law on corporations—June 6, 1924.
Law on taxation—August 5, 1924.
Law on gold balances—June 4, 1925.
Law respecting fiscal facilities in favor of credit and loan societies—July 25, 1925.
*Amendment to the cooperative law of 1873—August 3, 1934 (correction to one definition of this amendment was issued on August 27, 1934).
*Law concerning the dissolution and liquidation of associations and cooperative societies—October 9, 1934 (came into force after 1938 under the Nazi annexation).
*Amendment to the "amendment of 1934" of the cooperative law of 1873—November 24, 1936 (an amendment to this "1936 law" was issued on May 29, 1937).
*Law relating to credit cooperative societies of public service employees —June 15, 1937.
*Order concerning the amalgamation of cooperative societies in the "Reichsgauen Ostmark and Sudetenland" (the new denomination of Austria and of the former territory of Czechoslovakia annexed to the German Empire as "Gau")—June 30, 1939.
*First ordinance relating to special provisions of cooperative laws—1939.
*Law concerning cooperative housing societies (W.G.G.)—February 29, 1940.
Order respecting the relation of consumer cooperatives to the war economic conditions—February 18, 1941.

*Second ordinance relating special provisions of cooperative laws—1942.
*Third ordinance relating special provisions of cooperative laws—April 13, 1943.
*Law concerning the re-establishment of dissolved consumers' cooperative societies in Austria—November 19, 1947 (law concerning the abrogation of former German legislative provisions).

BELGIUM

LEGAL status for cooperative societies in Belgium has been provided generally by the Code of Commerce since May 18, 1873. This Code has been amended and consolidated by several laws. The latest consolidation of Title IX, which included the legal provisions pertaining to all commercial societies, was enacted in 1935. The Code distinguishes seven types of commercial societies, among them the cooperatives (Title IX, Section I, Article 2). Title IX, Section VII, Articles 141 to 164, contains the present legal regulations of concern to cooperatives. The minor amendments of the consolidating law of June 7, 1949, pertain in general to commercial societies and do not deal particularly with cooperatives.

According to Article 141 (Section VII), the cooperative society is composed of members whose number and shares are variable. The shares are not transferable to a third person. The cooperative society sets up its own statutes. The minimum membership is seven. The society is administered by one or more officers, who may or may not be members. Their responsibility is limited specifically by the statutes. The liability of the members may be joint or individual, limited or unlimited.

The statutes must contain: (1) the name and headquarters of the society; (2) its objectives; (3) membership requirements; and (4) the manner of raising capital and its minimum.

The statutes may contain the following provisions (Article 145): (1) duration of the society, which cannot exceed thirty years; (2) the method of the members' admission, resignation,

and expulsion, and the conditions for refunding their shares; (3) the names of the persons founding the cooperative; (4) supervision of the society's affairs, the mode of nomination and dismissal of the officers, and the duties and duration of their offices; (5) the rights of the members, the procedure for calling meetings, the necessary majority for valid resolutions, and the method of voting; (6) distribution of surpluses or losses; and (7) determination of the responsibility of the members.

If the statutes do not provide otherwise, the duration of the society shall be ten years. Members may withdraw under no special conditions. Such a cooperative society is managed by an administrator and supervised by three members elected in the same manner as in limited liability companies. The members possess equal voting rights in the general meeting. The calls for meetings must be sent out by registered letter and be signed by the administration. Resolutions will be adopted by a majority vote of shareholders. Half the surpluses or losses are divided equally among the members, and the other half according to their shares. The members are jointly financially responsible.

Each cooperative has to keep a register containing: (1) the names, professions, and home addresses of the members; (2) the date of admission, resignation, or expulsion of each member; and (3) amount of their shares. The first page of the register contains the statutes of the society. The register must be bound, indexed, and officially sealed either by the judge of the tribunal of commerce or by the mayor of the community (without charge).

Articles 148-157 provide for the admission, resignation, or expulsion of members. Withdrawn or expelled members are responsible during a five-year period and to the extent of their original liability for all acts of the society performed during the year they withdrew or were expelled, except when provided otherwise by law. The rights of members are embodied in registered securities containing the name of the society, the name and

domicile of the member, and the date of admission. These securities must be signed by the administration and by the member and must also contain the statutes of the society. This certificate is tax-exempt.

The administration has to prepare an inventory each year according to the general rules for all types of commercial societies (Article 77). All official papers, invoices, announcements, and publications of the cooperative society have to be provided along with the name of the society, including the words "Cooperative Society."

The balance sheets must be deposited at the tribunal of commerce within two weeks after their approval. The membership list must be deposited every six months. Eight days after taking office, the members of the administration (directors) have to submit an abstract of the act giving their duties. They have to sign it in the presence of the clerk or submit it to the court on a notarized form.

The documents (list of members and administrators and balance) may be examined by anyone at the court without charge. Copies may be obtained at a nominal cost from the court.

A law dated May 30, 1924, and amended March 9, 1929, created the Commercial Register. The Executive Order was issued on May 10, 1927. This general regulation for commercial societies does not contain special rules for cooperatives other than that they have to be registered in the same way as other societies.

The aforementioned laws and decrees pertain strictly to the general type of cooperative societies based on self-help. However, there are a series of laws that encourage the establishment of institutions with governmental aid with the special objective of promoting agricultural cooperation.

The establishment of the National Institute for Agricultural Credit by Royal Decree dated September 30, 1937, had also

such an object: to encourage with state subsidy the development of agricultural cooperatives. It has been amended several times (in 1939, 1941, 1945, 1946, 1947, 1949, and 1951). The law of March 26, 1949, increased the maximum for the Institute's engagements from the original limit of 600 million francs to one milliard francs. The Institute functions with the guarantee of the state, and its statutes are determined by the king upon the proposal of the Ministers of Finance and of Agriculture. The conditions of operation are decided by the Administration Council, which has a president and six members nominated by the king and who serve at his pleasure. Two members are nominated upon the proposal of the Minister of Economic Affairs, one member is chosen from a double list presented by the General Bank for Savings and Retirement, one member is chosen from a double list of the Superior Council of Agriculture, and the other three are selected from persons specially qualified in the fields of agriculture, livestock production, and agricultural credit.

Three supervisors (revisors) are nominated upon the proposal of the Ministers of Finance and Agriculture. The president and the members of the Administration Council, as well as the supervisors (revisors), are appointed for six years. Every two years the terms of two members of the Council and one supervisor (revisor) expire. The first change is fixed by lot.

The Administration Council has full power within the limitations of the decree to conduct the affairs of the Institute. It sets up the rules, appoints employees, and fixes the terms of their employment. The Council may elect a committee for direction (executive committee) from among any of its members. That committee is composed of at least three members, one of whom is the president. The rules determine, in correspondence with the decree, the rights and duties of the president, Council members, supervisors, and general director.

The current affairs of the Institute are conducted by the

general director appointed by the king. He is responsible for the execution of decisions of the Council (or the committee). He directs and supervises the work of the offices and represents the Institute in public affairs. In certain cases—determined by the rules—his orders must be countersigned by a Council member or by a person delegated by the Council. Parliament members cannot be nominated for president, Council member, supervisor, or general director of the Institute.

According to the Royal Decree of 1937, the duration of the Institute is to be twenty years. Its functions and tasks were included in the first Report of the Ministers' Council to the king on October 23, 1937. This report defines the two types of agricultural credit provided by the Institute. Special credit will be granted in three forms: short term (maximum two years), intermediate (five to ten years), and long term (over ten years). "Collective" credit is designed to promote the development of agricultural production and marketing with special reference to the importance of agricultural cooperation.

The Regent Decree of January 19, 1949, provides for promotion of agricultural cooperation. The Ministry of Agriculture is charged with studying the problems of agricultural cooperatives, assisting in the organization of such associations, and propagating cooperative ideas. A "Commission of Agricultural Cooperation" was established in the Ministry of Agriculture.

The Royal Decree of October 10, 1950, approved a special state subsidy for agricultural cooperatives purchasing agricultural machinery for common use. The maximum limit of this financial subsidization is 30 per cent of the net price (without tax, transportation charges, etc.), when the farms of all members of the society have an acreage of cultivated land below six hectares. The subsidy amounts to 25 per cent for farms of six to ten hectares, 20 per cent for those of ten to fifteen hectares, 15 per cent for those of from fifteen to twenty hectares, 10 per

cent for those of twenty to thirty hectares, and 5 per cent for those of thirty to fifty hectares. Pastures are considered as cultivated land for two thirds of their surface. The Ministry of Agriculture issued an Instruction Number I on November 24, 1950, concerning the interpretation of the Royal Decree and stating which agricultural cooperatives are entitled to apply for such a loan and how they may use it.

The Royal Decree issued on December 31, 1951, authorized the Ministry of Agriculture to grant loans to agricultural cooperatives within the limits of its budget. The purpose of such loans is to facilitate and to make more efficient the methods of production, processing, and marketing of agricultural products. The basic principles of agricultural cooperatives must be in conformity with the provisions of the Code of Commerce (Title IX, Section VII) and also must meet the following requirements: (1) the object of the cooperative associations must relate to agriculture, horticulture, or stock farming; (2) the majority of the members must be professional agriculturists, horticulturists, or livestockmen; (3) the majority of the patrons using the services of the associations must be members; (4) the associations may admit new members; (5) the rules of the associations have to provide for one vote for each member at the general meeting (the Minister may permit exceptions); and (6) the annual dividend cannot exceed 6 per cent. The decisions of the Minister will be carried out by the National Institute of Agricultural Credit. Also a special consultative commission will be established, the delegate of the Minister of Agriculture to act as the president.

During the sessions of 1951-52, the House of Representatives accepted and sent to the Senate a bill concerning the establishment of a "National Council of Cooperation." According to this bill, the proposed Council should have two sections representing the consumers' cooperatives as well as the producers' and distributors' cooperative associations. Since the

Senate has not yet discussed and approved the bill, it is quite uncertain at present (1953) whether it will become a law and whether or not its original text will undergo important changes. Therefore, it is unnecessary to describe the proposal in more detail or to go further than to mention its purpose.

Commercial Code. Book I. Section IX. Societies. Law of May 18, 1873, modified by the law, May 22, 1886. Last consolidation: November 30, 1935.

Law on commercial bookkeeping—December 26, 1881.

Law on Friendly Societies—June 23, 1894, completed by the law of March 19, 1898.

Law on professional associations—March 31, 1898.

Law on credit unions—May 16, 1901.

Law modifying the laws on commercial societies—May 25, 1913.

Law on commercial societies: consolidation approved by Royal Decree —July 22, 1913.

Act on compulsory meetings—October 30, 1919.

Law guaranteeing liberty of associations—June 27, 1921.

Law authorizing recognized mutual societies and federations to amalgamate—July 30, 1923.

Law to regulate the investment of the funds of recognized loan societies —December 27, 1923.

Law creating the Commercial Register—May 30, 1924. Executive Order of the law, May 30, 1924—May 10, 1927. Law amending the law, May 30, 1924—March 9, 1929.

Laws amending the Commercial Code: July 8, 1924; June 14, 1926; July 29, 1926; July 23, 1927.

Law amending the Section VII: "Cooperative Societies" of the Commercial Code—September 28, 1932.

Royal Decree (Number 471, Article 2.) concerning the deduction of refunds only limited to societies dealing directly with the consumer —October 15, 1934.

Royal Decree concerning the transformation of credit unions and cooperative societies into joint-stock companies—February 27, 1935.

Royal Decree on the reorganization of the socialist consumer and savings cooperative societies and on the rights of their depositors—May 5, 1935.

Law modifying the law on cooperative societies and establishing the personal societies with limited liability—July 9, 1935.

Royal Decree amending the Royal Decree of May 5, 1935, concerning the reorganization of the socialist consumer and savings societies and the rights of their depositors—July 25, 1935.

*Consolidating law on commercial societies (Title IX. Section VII: Cooperative Societies)—Royal Decree, November 30, 1935, amended June 7, 1949.

Royal Decree concerning the reorganization of liquidation of certain socialist cooperative societies—January 9, 1936.

Royal Decree on establishing a National Institute of Agricultural Credit —September 30, 1937.

Amendments and modifications:

Royal Decree Number 67—November 30, 1939.
Decree—June 20, 1941.
Decree law—January 25, 1945.
Decree law—January 7, 1946.
Decree law—January 15, 1946.
Decree law—October 29, 1946.
Decree law—February 24, 1947.
Decree law—February 28, 1947.
Law—June 16, 1947.
Law—March 26, 1949.

Ministerial decree on establishing wholesale cooperatives for the distribution of potatoes—May 15, 1946.

Decree concerning the subsidy of cooperatives—February 1, 1947.

Regent Decree concerning the promotion of agricultural cooperation—January 19, 1949.

Royal Decree concerning the subsidizing of certain cooperative societies for buying agricultural machinery—October 10, 1950. Instruction Number I of the Minister of Agriculture for the interpretation of the Royal Decree, October 10, 1950—November 24, 1950.

Royal Decree for granting loans to agricultural cooperative societies—December 31, 1951.

DENMARK

THE highly developed cooperative movement in Denmark has never been the subject of special cooperative legislation. The regulations affecting the legal status of Danish cooperatives are to be found in a great number of various acts, *e.g.*, the laws on trading, on joint-stock companies (corporations), on taxation, and others. Basically it must be stressed that the Danish constitution secures for the citizens the right of forming associations to any lawful aim without special registration or regulation, if such regulation is not required by special legislation. Although this complicated legal system may hold certain disadvantages for the cooperative societies, it is generally considered to have provided a satisfactory and favorable background for the establishment, growth, and work of the cooperatives.

The first law with relationship to cooperatives was enacted on June 20, 1850. It pertained to the establishment of credit associations for landowners—of special importance to farmers, but also widely used by urban property owners. These credit associations are organized as cooperative societies. The Danish credit associations are governed by the members, who obtain loans and pay the interest and the administrative expenses. Funds are acquired by issuing interest-bearing bonds. These cooperative credit associations were a source of assistance to the Danish farmers during the last decades of the nineteenth century, both before and during the great agricultural depression of the eighties. The credit associations provided economic, social, and even cultural protection. The system established by the law of 1850 has been maintained and developed up to the present time by several amending and modifying acts.

Because of this special legislation, the credit associations, however, in spite of their cooperative organization and work, have remained a separate group without direct connection with other organized cooperatives in Denmark.

In establishing a cooperative society, no particular forms or regulations are prescribed, and it is merely as a matter of experience to state that the bylaws of Danish cooperatives usually—in addition to determining the purpose and name of the society—contain the following provisions: (1) liability of the members for the obligations of the society; (2) the designation of the person(s) authorized to act in the name of the society; (3) the admission of members, their withdrawal or expulsion; (4) the distribution of the surplus (profit) among the members; (5) accounting, bookkeeping, and auditing; (6) the rules for meetings, the voting rights of the members, the majority required for valid resolutions; and (7) rules for the dissolution of the society.

A society may be organized with limited or unlimited liability.

Generally, it must be stressed that the main rule is that the Danish cooperatives have been and are established without any special legislative regulation. Therefore, it is important to bear in mind that it is impossible, merely by considering or making deductions from Danish legislation as a whole, or the few and scattered paragraphs of some relevancy to the cooperatives, to secure a true picture of the position of the cooperatives, or of their legal status.

It should be mentioned here, however, that the general trade legislation—in particular the law dated April 28, 1931—concerns all kinds of trade. The activities of consumers' cooperatives come under this term, however, only when they sell to nonmembers as well as to members. In such cases they must secure a trading license from the authorities. Other consumers' cooperatives with an actual shop (but dealing with members only) must notify the authorities of their address. For certain kinds of activities, such as sale of alcoholic beverages, a special permission must be obtained; the rules pertaining to this are found in special laws on trade of alcoholic beverages. Of special importance to the consumers' cooperatives is a paragraph forbidding any dealer—or society trading with nonmembers—to establish more than one store (branch stores) within the same community.

Production and marketing cooperatives, which receive, process, and sell the products of members only, need not take out a trading license. If, however, they perform some of the sales from a shop, this is considered trade making such a license necessary. If they receive, process, and sell the products of nonmembers as well, they must also have a trading license.

Similar rules are applicable when determining if a cooperative is obliged to register in the *"firmaregister,"* register of trade (March 1, 1889). Such obligation exists for those engaged in trade, *i.e.,* trade with nonmembers.

The "joint-stock company act" ("Corporation Act") dated April 15, 1930, has, on the whole, no reference to the legal aspects of cooperatives. Because of the definition of "joint-stock company" (*aktieselskab*) in the law, a few cooperatives are, however, actually affected by the law. That is the case with cooperatives that (1) have no personal liability on the part of the members, *and* (2) perform trading activities outside the circle of the members for the benefit of the members. Such cooperatives must comply with the rules of the law as to establishment, registration, bylaws, publicity, etc. They may, however, use in their name the abbreviation "A.m.b.a." (cooperative society with limited liability) instead of "a/s" (ltd., inc.), which is obligatory for joint-stock companies.

The law on accounting (May 10, 1912) prescribes obligatory bookkeeping for cooperatives with limited liability and for all cooperatives dealing with nonmembers.

Cooperative banking must comply with the general law on banking (July 25, 1938)—giving rules as to capital, financing, public supervision, etc.—as well as with the aforementioned "joint-stock company act." Purely local cooperative village banks with unlimited liability generally may work without supervision or any special legislative prescripts. They may, however, be supervised according to the savings banks act (July 3, 1950) if they so desire, or if the authorities so decide according to a special law (May 2, 1934), which was not, however, directed at village banks.

The taxation of cooperatives underwent important changes during the last years. It should be noted that the state taxes are not fixed in any permanent law, but they have for several years been provided for in laws levying state taxes for each fiscal year. Municipal taxation is levied according to the law of February 18, 1938, as modified by the law dated March 31, 1949. The present situation concerning taxation of cooperatives is based on the new system introduced by the Parliament in

1949. This system affected both the agricultural cooperatives and the consumer societies. Up to that time, taxes were assessed on the surplus of each year's cooperative business. That part of the surplus to be paid back to the members was also taxed, but not excessively.

A report of the Danish Central Cooperative Council summarizes the present system: "According to the new system, the surplus or net profit of the cooperative is not considered in the calculation of the taxes. These are determined solely by the net capital of the cooperative (total assets minus liabilities), the capital owned by the cooperative itself, the idea being that the interest on that capital must be considered as the income of the cooperative without regard for the actual income and expenses of the society. The scale for taxation is progressive. In consumer societies the income is assessed at from 4 per cent to 6 per cent of the net capital, and the ordinary state tax is 25 per cent of that. In addition, there is an extra tax and municipal taxes, which bring the total to over 32 per cent. Moreover, various extra taxes and forced savings have been levied, amounting to between 10 and 20 per cent of the ordinary tax.

"Agricultural marketing, processing, and supplying cooperatives are assessed at lower rates. The income is calculated at 4 per cent of net capital, but the ordinary tax is 10 per cent. Correspondingly, the extra and municipal taxes are also lower. However, there are certain allowable deductions from the stipulated income, before the taxes are collected."

When considering the legal status of cooperatives in Denmark, it must always be borne in mind that no special cooperative legislation exists. The Danish cooperative movement does not feel the necessity for specialized legislation similar to that in other countries.

Several special laws regulating the general functions of trade organizations naturally pertain also to the business activities of cooperatives, *e.g.*, laws on competition, price regulation,

closing time of stores, status of employees, and paid vacation. These are general laws not applying specifically to cooperatives and therefore are not described in this chapter and are also omitted from the following list of laws.

Law on the establishment of credit associations and loan banks for landowners—June 20, 1850.
Law on trading—December 29, 1857.
Law on trading—May 23, 1873.
Law concerning the credit associations for small landowners—1880.
Law on trade registers—March 1, 1889.
Law concerning the credit associations for small landowners—May 16, 1908.
Law on accounting—May 10, 1912.
Law on income tax—June 8, 1912.
Ministerial decree approving some supplementary provisions of the rules of the credit associations of the small rural landowners of Jutland—September 13, 1913.
Ordinance sanctioning the revised rules for credit associations in Fyen —July 24, 1914.
Law amending the law of May 28, 1880, and the law of May 8, 1908, concerning credit associations for small landowners—May 10, 1915.
Law on the establishment of two credit associations for small landowners—July 10, 1915.
Law re-enacting the credit laws of 1880, 1908, and 1913—July 11, 1915.
Ministerial decree approving the rules of credit associations for small landowners in Jutland—September 13, 1915.
Ministerial decree approving the rules of credit associations for small landowners in the Islands—September 13, 1915.
Ministerial decree approving a supplement to the rules of the credit association of the small rural landowners of Jutland—March 7, 1916.
Ministerial decree concerning the supplement to the revised rules of the credit association of the landowners of Jutland—October 6, 1916.
Law concerning societies with share capital—September 29, 1917.
Decree concerning the registration of associations—September 19, 1919.
Law relating to state subsidies to small forestry societies—1919.
Law on taxation—April 10, 1922.
Law regarding credit facilities for rural smallholders—March 18, 1925.
Law concerning the registration of associations—March 31, 1926.
Law concerning credit associations for proprietors and users of agricultural property—March 31, 1928.
Law concerning facilities afforded by the state to associations providing working credit for small farmers—April 4, 1928.
Law modifying the law of July 10, 1915, concerning the establishment of two credit associations for small landowners—November 28, 1928.

Law making supplementary dispositions to the law of March 31, 1928, concerning credit associations—December 3, 1928.
Law on joint-stock companies—April 15, 1930.
Law on trading—April 28, 1931.
Law on certain savings and lending institutions—May 2, 1934.
Law on municipal taxation—February 18, 1937. Modified: March 31, 1949.
Law on banking—July 25, 1938.
Law respecting purchasing associations for small farmers—March 15, 1939.
Law to amend law of March 15, 1939, respecting purchasing associations for small farmers (also the laws of July 7, 1945 and March 30, 1946)—March 31, 1949.
Notification of law of March 15, 1939, respecting purchasing cooperative societies established for small farmers, amended by laws of July 7, 1945, March 30, 1946, March 31, 1949, and April 11, 1949.
Law on savings banks—July 3, 1950.
Law on prescribed reserves for 1950-1952—November 25, 1950.
Law on taxation—March 28, 1951.
Law on taxation (levying state taxes for 1952/1953)—March 31, 1952.

FINLAND

THE legal status of the extensively developed Finnish cooperative movement is still generally based on the provisions of the first cooperative act dating from 1901, and as amended in 1918 and 1927. Finnish cooperation started as early as the 1870's, when consumers began to establish cooperative societies for the common purchasing of needed consumption goods. Cooperative stores following the Rochdale example were opened in Tampere in 1900.

The rapid expansion of cooperatives began, however, after the passing of the cooperative act. This extensive progress was particularly associated with the three principal forms of cooperative enterprise, viz., consumer, dairy, and credit societies. The act of 1901, a relatively brief law with thirty-six articles, was the basic regulation determining the cooperative character. Certain regulations of the joint-stock companies act of 1895 still remained to bind the cooperative societies. For example, the

provisions indicating the relations of shareholders to other parties and to each other and the setting up of the board of directors, as given in Chapters 2 and 3 (Articles 18-42) of the joint-stock companies act, are the same for cooperative societies as for other companies.

According to Article 1 of the act of 1901, a cooperative society is established to conduct a joint business "for the purpose of assisting those taking part in it to carry on their trade or otherwise helping them to earn a living." At least five persons must become members of a society by a written agreement. They shall draw up the rules and appoint the first board of directors. The society's rules must be confirmed and entered in the trade register before any business is started.

The rules must contain the name and principal place of business of the society; purpose of the enterprise; the sum of money with which each member participates in the society; the method of collecting it and whether one member may participate with more than one such share; the formation of the reserve fund; the liability of the members (which might be limited to the contributed share, limited to a certain amount with supplementary payment, if necessary, or unlimited, as may be requisite to cover the liabilities); the method of using profits; the manner of constituting the board of directors and their terms of office; the date for drawing up the balance sheet and conducting the auditing; the date by which the ordinary meeting shall be held; the manner of calling meetings and of giving other notice to the members.

The rules may provide that a certain portion of each share, but not exceeding one half, shall be collected from the profit due a member. At least one tenth of the profit shall be added to the reserve fund until it amounts to the prescribed sum required by the rules. If the cooperative society intends to deal with nonmembers, this shall be stated in the rules. Credit societies—according to the act of 1901—could not extend

their business operations to nonmembers. This restriction was changed in 1920.

The governor of the province in which the cooperative society resides shall confirm the rules. The society applies for entry into the trade register and attaches the original confirmed rules. This notification shall be signed by the entire board of directors. It must contain, in addition to the decisions included in the rules previously mentioned, the name and address of the board of directors and the designation of those who are entitled to sign for the society. No registration fee is charged for cooperative societies. New members may join the society at any time. Their applications in writing will be considered by the board of directors, unless provided otherwise by the rules. The member may resign by giving notice in writing to the board of directors. The rules, however, may prescribe a certain time, not exceeding two years, before which the member cannot resign. The liability of the resigned member usually continues for an additional year.

Each member of the society has one vote. However, if the majority of the members consists of cooperative or other societies, the rules may provide for more than one vote for these member-societies. Voting by proxy is not permitted by the act unless the rules provide otherwise. The liability of the members cannot be increased without the members' consent in writing.

If the membership of a cooperative society falls below five and does not increase again within six months thereafter to five or more, the board of directors shall take steps for the liquidation of the society. Notice has to be given to all creditors of a liquidating society to present their claims within one year and a day. After all debts are settled, the members are entitled to receive their contributions out of the balance. If a surplus still remains, it shall be divided either on a per capita basis or on some other basis provided for in the rules.

Cooperative societies for the promotion of the proper carrying on of their business and competent control of the management and accounting as well as to effect orders for joint purchases and sales may cooperate with each other or with a private individual or a company.

According to the act of 1901 (Article 1), a cooperative society cannot enter into the insurance business. However, a great number of insurance associations are organized on a mutual (cooperative) basis. Most of the large cooperative unions and federations established their own insurance companies for doing their own business in life, accident, and fire insurance.

One of the most developed types of the Finnish cooperative movement, the credit cooperative societies, made rapid progress after 1920, when a new law allowed them to accept deposits from nonmembers. This was previously prohibited by the act of 1901. This new act, dated June 4, 1920, entitled the credit cooperatives and their central banks, with the consent of the government and on certain conditions, to enlarge their activities in this line. They must deposit not less than one tenth of the deposits due to their clients in a sound bank. This security fund must be easily convertible into cash. They may, however, invest this amount in bonds of the state, banks, mortgage institutions, municipalities, or parishes. This legal alleviation facilitated great progress for the credit cooperative societies. Their number doubled, and the membership increased more than fourfold between 1920-1928.

The importance of the credit cooperatives and of their central bank (O.K.O.) has grown since 1918, as a result of their activities involved in financing the intensification of agriculture and land reform. Up to 1939, 120,000 peasants became individual landowners, receiving financial support from the credit cooperatives. The state provided funds for these loans with low interest rates. Several special laws granted capital for the Central Credit Institute of Cooperative Banks (O.K.O.).

The government has used the O.K.O. for distribution of special loans granted to smallholders and various producers' associations such as cooperatives for the maintenance of bulls or associations for the inspection of cattle. Associations of at least five members owning not more than eight cows each were entitled (according to a special act, dated March 28, 1930) to receive subsidies for acquisition of registered bulls; such subsidies to extend to 50 per cent of the value of the bulls. This subsidy was also granted through the Central Cooperative Bank.

Except for certain special regulations provided by special laws or ministerial orders, the general legal status of cooperatives has remained unchanged since first established by the single fundamental act of 1901. All types of cooperatives, including the farmers' marketing and purchasing associations and the consumers' societies of city workers operating in rural or urban districts, are regulated according to this basic act. The Finnish cooperative movement, in spite of its immense progress during the last half century, does not feel any necessity to modify or reform the provisions of the act of 1901.

Industrial and business law—1879.
Law regarding joint-stock companies—May 2, 1895.
State regulation concerning the register of firms and companies—May 2, 1895.
*Law on cooperative societies—July 10, 1901.
Amendment to the law of 1901 on cooperative societies (Section 18)—January 17, 1918.
Amendment to the law of 1901 on cooperative societies (Section 19)—September 9, 1918.
Industrial and business law—1919.
Law regarding the right of cooperative societies which issue loans and the right of their central banks to receive deposits—June, 1920.
Law regarding cooperative trade—July 10, 1921.
Law with respect to mortgage associations—April 24, 1925.
Law on the Council of State with respect to the statutes of the mortgage association of Finland—July 30, 1925.
Law relating to the keeping of accounts—1925.
Amendment to the law of 1901 on cooperative societies—January 28, 1927.
Law on savings banks—October 18, 1928.

Resolution of the Council of State making loans on the fund for bad harvests at a favorable rate for the purchase of seeds—January 24, 1929.

Law concerning the allocation of loans with the object of developing agriculture—May 18, 1929.

Law making a loan for the promotion of agricultural production—May 23, 1930.

Resolution of the Minister of Agriculture issuing instructions to the controllers of loans having for their object purchase of seed—May 31, 1929.

Law modifying the law of October 18, 1928, on savings banks—June 13, 1929.

Resolution of the Ministry of Agriculture regarding subsidies to agricultural and housewifery associations—February 27, 1930.

Law regarding subsidies to syndicates and cooperative societies owning bulls and to cattle control associations—March 28, 1930.

Law concerning development loans for agriculture with relevant decrees—May 23, 1930.

Resolution of the Ministry of Agriculture on the management of communal agricultural credit banks—August 5, 1930.

Law to amend the law respecting associations—May 25, 1934.

Law Number 559 establishing a basis for the allocation of state subsidies to associations for the maintenance of bulls and to associations of small farmers and associations for the inspection of cattle—July 19, 1946.

Resolution Number 620 of the Ministry of Agriculture laying down conditions on which state subsidies are granted to associations and cooperatives for the maintenance of bulls and associations for the inspection of cattle—July 31, 1946.

FRANCE

Legislative functions in France are generally based on the classical Codes of the Napoleonic era. The Civil Code of 1804 and the Code of Commerce of 1807 provide the fundamental legal principles for economic organizations. During the one and a half centuries following the enactment of these Codes, most additional legislation merely modified or amended the original provisions so that they conformed to the progress and development of the nation's economic life. The number of these additional laws and orders increased by leaps and bounds from year

to year. After a time, it took considerable effort to state the up-to-date and valid legal status of various institutions. A series of acts, orders, and decrees partly modified, or even repealed and replaced by new ones, required a very careful consideration from anyone wishing to become acquainted with the actual legal situation.

For a long time, this same legal development made it extremely difficult to learn the correct legal definition and status of cooperatives in France. Actually, there was until 1947, no exact and formal definition in French legislation of what a cooperative society is. In several other countries, the legislative system for cooperatives says clearly in the introduction of the cooperative laws: "The cooperative society is . . . ," which statement may be more or less satisfactory. French legislation does not occupy itself in pointing out what a cooperative society is. Article 1 of the law of September 10, 1947, attempts to define the cooperatives in general by their essential objectives. Certain special laws pertaining to certain types of cooperative organizations (consumers' societies, agricultural cooperatives, mutual credit societies, etc.) also contain definitions of the objectives and characteristics of those cooperatives.

Even at present, several articles of the Civil Code (Articles 1832-1873) and of the Code of Commerce (Articles 18-50) provide fundamental regulations for all types of cooperatives. However, at the beginning of the nineteenth century, no cooperative societies existed in their present legal or economic form. The original provision of the Commercial Code (Article 19) distinguished only three forms of commercial societies. Among them was one formed for social purposes.

The Law on Societies, dated July 24, 1867, and modified several times after 1927, contains many fundamental provisions covering the present legal status of cooperatives. Most of the special laws for the various types of cooperative organizations, such as the law on mutual credit and agricultural cooperation

(August 5, 1920) or the law on societies for mutual maritime credit (December 4, 1913), generally refer to the provisions of this basic law.

Chapter III of the Law on Societies (Articles 48-54) provides special dispositions for societies with variable capital. According to these provisions, the rules of the societies may stipulate that the registered capital may be variable. This capital might be successively increased by additional deposits of members or by admission of new members. Or it might be decreased by total or partial refusal of actual chattels. The registered capital—originally not to exceed 200,000 francs—may not be over 10,000,000 francs, according to the new disposition of the law, dated September 18, 1948. However, the society at a general meeting has the right to increase the capital annually by not more than 1,000,000 francs (originally 200,000 francs). The shares of such societies are generally not negotiable. Negotiation shall take place only through transfer on the register of the society. The rules may give either the administrative council or the general meeting the right to oppose such a transfer.

The rules shall determine the sum below which the capital may not be reduced. This sum cannot be less than one fourth of the registered capital (Article 13 of the law of September 10, 1947). Any member may withdraw from the society. If provided by the rules, the general meeting is authorized to exclude a member or even groups of members. The member who ceases to be a part of the society, either voluntarily or by decision of the general meeting, will be held liable for five years for the obligations of the society existing at the time of the withdrawal or exclusion. The society will be represented in legal affairs by its administrators. The society shall not be dissolved by the death, withdrawal, incapacity, or insolvency of any one of its members, but will continue, with full rights for the other members. These general provisions of the basic law of 1867

were modified by the special laws for various types of cooperative societies, particularly during the present century.

The formal legal recognition of agricultural cooperatives started when state credit facilities were established for these institutions; particularly in instituting a permanent dotation for agricultural credit at the moment of the renewal of the privilege of the Bank of France in 1897, and by the setting up of the regional mutual agricultural credit banks in 1899. Earlier, a law of November 5, 1894, provided for the formation of mutual agricultural credit societies, which were qualified local banks under the supervision of the regional banks.

The law of December 29, 1906, granted long-term credit to agricultural cooperatives. It defined clearly for the first time the requirements and cooperative characteristics that the societies must meet to be eligible for such loans.

The codification of the various laws concerning mutual credit and agricultural cooperation was enacted by the very important law of August 5, 1920. It was amended and modified several times in the following years. However, this fundamental law has more or less a historical interest for mutual credit and agricultural cooperation. Articles 22-25 concerning agricultural cooperation were entirely abrogated and replaced by the order of October 12, 1945. The decree of April 29, 1940 (modified) pertains to mutual credit.

The first section of the law of August 5, 1920, defines the agricultural credit banks. These banks may be established by all or part of the members of one or several of the following associations or by these associations themselves: (1) professional agricultural syndicates governed by the Code of Labor, Book III (Titles I and III); mutual agricultural insurance societies governed by the law of July 4, 1900; agricultural cooperative societies; syndicate associations; and diverse societies of agricultural interest. The exclusive objective of the mutual agricultural credit banks is to facilitate and promote the operation

of agricultural production by their individual or collective members. The capital may be formed only by subscription of shares. The shares carry the name of the member and are transferable only with the approval of the bank. A quarter of the registered capital must be deposited before the banks can operate legally. The duration of the banks is unlimited. If the capital is variable, it may not be reduced below the amount of the foundation capital.

These banks must follow special regulations for publicity as prescribed for the ordinary commercial societies by the law of 1867 (Articles 55 and following): (1) before any operation, the statutes with the complete list of administrators (directors) or managers and of the members indicating their names, professions, addresses, and the agricultural associations to which they belong and the amounts of their subscriptions have to be deposited in duplicate in the office of the justice of peace in the canton; and (2) each year, during the first half of February, the director of the bank has to deposit in duplicate in the office of the justice of peace in the canton the annual balance sheet and operation statement for the preceding year with an up-to-date list of members. The duplicate copies are sent to the office of the civil tribunal by the justice of peace. The bank is validly constituted when the documents enumerated under (1) are turned in. The documents deposited in these offices may be inspected by anyone.

The local banks provide three types of loans to their members:

(1) Short-term loans are given to individual farmers or to agricultural collectivities to facilitate specific agricultural operations such as payment of current working expenses; banks can also allow the farmers to await the selling of their harvests—such loans being known as "harvest financing loans."

To realize these loans the local banks discount the bills subscribed by their members.

The duration of these loans should not exceed that of the operation for which the loan has been allowed; usually it does not go beyond eighteen months.

(2) Intermediate-term loans, up to fifteen years, will be granted for improvement or reconstruction of farms and for providing agricultural machinery or livestock. They are reimbursable by annual amortization and are protected by special guarantees, such as securities, warrants, mortgages, etc.

(3) Long-term loans are granted by local banks only to individual members and may be made for periods up to thirty years (originally twenty-five years) provided the age of the borrower does not exceed seventy years (originally sixty years, modified by the law of September 28, 1935) at the date of the last amortization.

As a guarantee, local banks require a registration of mortgage or a contract on an insurance policy in case of death. The long-term, individual loans are intended to facilitate the acquisition, development, improvement, transformation, keeping, or reconstruction of small rural estates and rural workers' housing places.

The interest on such loans is fixed by decree issued upon a Ministers' of Agriculture and of Finances proposal, after advice of the administration council of the National Bank of Agricultural Credit. It must be always at least 1.5 per cent lower than the discount rate of the Bank of France, without falling below the rate of 3 per cent.

The objectives of regional banks are: (1) to facilitate the short-term, intermediate-term, and long-term operations effectuated by the members of local mutual agricultural credit banks in their district and guaranteed by these societies; and (2) to transmit to agricultural cooperative societies, to syndicate associations, or to all other groups the special advances the National Bank of Agricultural Credit has approved for them.

Only local banks situated in the district and which are not affiliated to another regional bank may affiliate with the regional bank of that district. Regional banks may make necessary advances for working capital to the affiliated local banks. However, for those who have appealed for National Bank of Agricultural Credit financial assistance, these advances may not exceed, for each local bank, the amount of capital deposited as share subscriptions in the regional bank. These local banks may issue debentures with variable maturity dates; however, these are to be made only in favor of the agricultural population living in the district of the regional bank. Every year, during the first fifteen days of February, the regional banks transfer to the National Bank of Agricultural Credit the amortizations of state advances they have collected during the preceding year from local banks (Articles 11-13).

The statutes determine the seat, the territory to be served, and the mode of administration of the agricultural credit banks. They fix the nature and extent of the banks' operations, the rules to be followed in amending the statutes, the dissolution of the society, the composition of the capital, the proportion each member may contribute to this capital, and the conditions under which he may withdraw.

The rate of interest on shares is also set by the statutes. This may not surpass 5 per cent (originally 6 per cent) or exceed the rate on loans to their members at the local banks. Three fourths of the annual surplus must be placed in a reserve fund until it amounts to double the registered capital. Then the allocation will be reduced to 50 per cent.

According to Article 18, the statutes provide for the liability of the individual member, but this liability cannot be extended over five years after his withdrawal. In case of dissolution of a regional bank, the balance of the remaining assets will be deposited without interest at the National Bank of Agricultural Credit until they can be used by any regional bank to be

established to replace the dissolved bank in the same district. In case of dissolution of a local bank, the balance of the assets, including the reserve funds, will be devoted to an institution of agricultural concern as decided by the general meeting and approved by the Minister of Agriculture. In default of such decision, the Minister of Agriculture will designate an institution upon the proposal of the National Bank of Agricultural Credit. According to this law, the mutual agricultural credit banks are cooperative societies whose books must be kept in conformity with the regulations of the Code of Commerce and in accordance with the instructions of the Minister of Agriculture for those receiving advances from the state (Article 21).

(Articles 22-25, pertaining to the juridical status of agricultural cooperative societies, agricultural syndicate associations, and societies with collective agricultural interest, were abolished and replaced by the order of October 12, 1945, which will be discussed in detail in a latter part of this chapter.)

The 1920 law established the National Office of Agricultural Credit as head institution of the regional banks and of their local members. A law dated August 9, 1926, changed the name to the National Bank of Agricultural Credit. This National Bank is a public institution with financial autonomy. Its objectives are: (1) to handle the dotation allotted at establishment, (2) to handle the deposits received from the regional banks, (3) to issue bonds with the intervention of the regional banks, and (4) to handle the special credit approved by the law of May 4, 1918, for recultivation of abandoned lands (reconstruction of agriculture after World War I).

It is authorized to discount, after endorsement by the regional banks, the notes drawn by members of the agricultural credit banks (law of August 31, 1937), to receive deposits from any person (law of December 19, 1926), and to keep fund deposits in current account on demand or at maturity. The administration of the National Bank of Agricultural Credit is

conducted by an administrative council consisting of seven members directed and nominated by the plenary commission from among its thirty members. An important change in the composition of the plenary commission took place in 1949. Then the provisions of the law of August 5, 1920 (Article 36, paragraphs 1-4), which were restated in the codifying decree of April 29, 1940 (Article 104), were considerably changed concerning the appointment of two fifths or twelve members of the commission. Originally, they were appointed by decree upon the recommendation of the Ministers of Agriculture and of Finances from among honorable high personalities of the state administration. Since the administration of the National Bank was limited during the war years, the order of October 17, 1944, provided temporary disposition concerning mutual agricultural credit. An administrative committee was appointed by the order of the Minister of Agriculture on May 1, 1945. Complying with the desire for economic and financial reconstruction expressed by the law of August 17, 1948, the decree of March 12, 1949, determined a new composition of the plenary commission of the National Bank of Agricultural Credit. This replaced the prior dispositions of Article 104 in the codifying decree of April 29, 1940, and abrogated the transitory regulations of the order of October 17, 1944.

The conditions for the application of this decree are stipulated by a rule of the public administration dated September 12, 1949 (issued December 31, 1949) modifying the decree of February 9, 1921, for the application of the law of August 5, 1920. According to the new dispositions, one fifth or six members of the plenary commission are elected by the Parliament (three by the National Assembly and three by the Council of the Republic—these legislative institutions actually correspond to the House of Representatives and the Senate in other parliamentarian systems), two fifths or twelve members are elected by the regional banks of mutual agricultural credit. These rules

conform with the regulations of the basic law of August 5, 1920. However, it was desirable to establish better coordination among mutual agricultural credit, the syndicates, and agricultural cooperation through representation of professional organizations in the commission. Therefore, the latter two fifths or twelve members appointed by decree upon the recommendation of the Ministers of Agriculture and of Finances must be selected in the following way:

One member of the Council of State
One member of the Court of Accounts
The Vice-President of the Higher Council of Agriculture
The Director of the Treasury in the Ministry of Finances
One representative of the Minister of Economic Affairs
The Director General of Discounts at the Bank of France
One inspector general of finances
One inspector general of agriculture
One inspector general of rural engineering
A member appointed upon the recommendation by the confederative office of the General Agricultural Confederation
A member of the administrative council of the National Federation of Agricultural Cooperation
A member representing the personnel of the regional banks under the conditions provided for in an order of the Minister of Agriculture issued on September 12, 1949.

The Director of the Treasury in the Ministry of Finances and the Director General of Discounts at the Bank of France are ex-officio members of the seven-member administrative council. The other five are elected by secret ballot of the plenary commission.

The decree of October 12, 1949, determined the conditions and time of the election of the twelve delegates representing the regional banks. This election took place November 27, 1949. The National Assembly and the Council of Republic also designated their representatives. The plenary commission of the National Bank of Agricultural Credit has been definitely reconstituted. Its first meeting under the new decree was held on February 17, 1950.

The Director General of the National Bank of Agricultural Credit is appointed by decree upon the recommendation of the Minister of Agriculture. He acts for the National Bank and is removable only on the proposal of the plenary commission and of the administrative council. The general comptroller is appointed by decree upon the recommendation of the Ministers of Agriculture and of Finances. According to the decree of October 25, 1935 (Article 2), a state comptroller supervises the financial affairs of the National Bank, as is the case with the other public institutions of the state with financial autonomy.

The financial operations of the National Bank are handled through the accounts opened at the Treasury, the Bank of France, the Deposit and Consignment Office, the Land Bank of France, the National Credit Bank, the French Bank for Foreign Trade, and through postal cheque accounts.

The annual budget is settled by the administrative council and approved by both Ministers of Agriculture and Finances on the advice of the plenary commission.

The annual balance sheet is also approved by decision of these two Ministers who will send it, with the other required information, to both houses of the Parliament. The annual reports are published in the *Journal Officiel.*

The resources of the Bank are: (1) the income from the funds handled, (2) the dotation for agricultural credit, (3) the income from the recultivation of abandoned lands as provided by the law of October 6, 1916, (4) payments according to the law of May 4, 1918, (5) credits provided by the legislation, and (6) donations and other income.

According to the agreement of October 31, 1896, a sum of forty million francs was allotted permanently by the state to agricultural credit. That dotation was granted to the state without interest by the Bank of France when its issue privilege was renewed and for the same duration as that privilege.

The dotation, a part of annual royalties paid by the Bank of France to the Treasury in return for its privilege, had been increasing year by year. According to the law of December 2, 1945, providing for its nationalization, the Bank of France is no longer obliged to make payment of the annual royalties, and the increase of the dotation has now stopped.

Funds of the dotation were distributed among different types of credit by order of the Minister of Agriculture issued upon the proposal of the administrative council of the National Bank of Agricultural Credit.

The National Bank of Agricultural Credit makes advances (1) to regional banks of agricultural credit and (2) to agricultural collectivities, and divides the credits among these different institutions.

To the regional banks, granted advances are paid up in current accounts opened at the National Bank to provide short- and intermediate-term loans. For long-term, individual loans, the advances are granted to regional banks according to the number and volume of applications for loans they have received.

The National Bank of Agricultural Credit is authorized to directly grant long-term loans of a maximum length of thirty years to agricultural collectivities; that is to say, agricultural associations defined in the codifying decree of April 29, 1940, Article 16, items 1 to 6, and to chambers of agriculture. The interest rate must always be 1.5 per cent below the discount rate of the Bank of France, but not lower than 3 per cent.

Agricultural cooperative societies, syndicate associations, and agricultural associations of collective concern are entitled to obtain loans that shall not exceed six times the amount of the registered capital, if their statutes provide for a collective liability of all members; either all or part of the administrative council members have signed a certificate of joint liability considered as acceptable by the intermediate regional bank.

Application for loans presented to the National Bank of Agricultural Credit through regional banks must indicate precisely the purpose of the loan and the intended use of the funds.

Money for the National Bank of Agricultural Credit is usually included in the annual state budget as approved by the budget laws. Also, special laws designate the National Bank as the depository for surplus incomes of certain state institutions. One of these laws is the decree of July 20, 1946, which prescribed this obligation for the agricultural social security agencies.

In accordance with the decree of September 6, 1946, modifying Article 8 of the decree of November 30, 1942, the percentage of available funds of the National Bank of Agricultural Credit that is to be kept at any moment cannot be less than 20 per cent.

The decree of January 6, 1949, has modified the previous percentage distribution between the different kinds of loans granted by the agricultural credit banks with the dotation funds. That percentage is now the following: 28 per cent in advances to the regional banks for intermediate-term loans; 39 per cent in advances for long-term loans for individuals; and 33 per cent in advances for long-term loans for collective purposes.

The National Bank may grant special, long-term loans for various purposes to agricultural collectivities. Among such loans, the most important provide funds (1) for communities and community syndicates for rural equipment works in irrigation, land improvement and protection against flood, water conveying, construction and repair of rural roads, and other equipment works projects that have been approved or admitted to a subsidy by the Ministry of Agriculture; (2) for communities, cooperative societies, chambers of agriculture, societies of agricultural collective concern, or producer associations for building slaughterhouses and improving meat supply; (3) for departments and communities at a 2-per-cent interest rate to buy lands and rural

estates that will be allotted and resold to rural laborers and families; (4) for departments, communities syndicate associations, and cooperative societies whose purpose is to establish and operate rural electrification networks and the loan to which shall not exceed twice the capital collected by the collectivities and fully paid up.

The National Bank can contact and cooperate with mutual agricultural credit institutions established in overseas territories, protectorates, and mandated territories to provide them with advances intended to improve the development of credit operations.

The various types of agricultural mutual insurance societies, established by the law of July 4, 1900, are usually separated for each class of risk. Their financial support by state loans is provided through the National Bank of Agricultural Credit. In certain risky cases of agricultural production, special state funds are granted. The law of March 31, 1932, authorized the National Bank to make loans for a maximum period of fifteen years to the mutual insurance societies for coverage against hailstorms. These institutions are under state inspection, and usually the Minister of Agriculture approves the premium rates.

All mutual agricultural credit banks, which are tax-exempt, are under the control of the state. If the state comptroller determines that the operational methods of the agricultural bank are contrary to law, the tax-exempt status will be revoked. Such an institute is prohibited from any longer using the title "agricultural mutual credit bank." At least once a year, regional banks must audit the accounts of their affiliated local banks and other institutions borrowing from them. The agricultural mutual local and regional banks, which operate in conformity with the codifying decree of April 29, 1940, are exempt from various taxes and stamp duties.

As previously mentioned, the fundamental regulations of the basic law of August 5, 1920, are still in force. However, a

great number of modifications and amendments were added during the years that followed. The several additional regulations soon made it necessary to consolidate the various amendments and to codify them into a single act. This was accomplished by the decree of April 29, 1940. This decree is a comprehensive codification of all laws, orders, and decrees pertaining to mutual credit and agricultural cooperation as urged by Article 3 of the decree law, dated June 17, 1938. It contains in 223 articles all the valid regulations as provided formerly by the basic law of August 5, 1920, and its sixty-six modifying and amending laws, orders, and decrees promulgated during the years 1920-1940. Only Article 104 of the codifying decree (or Article 36, paragraphs 1-4) was replaced by the new dispositions of the decree of March 12, 1949, as described above. Certain additional amendments, such as the laws of September 11, 1941, and May 7, 1946, did not change the fundamental provisions as laid down by the codifying decree of April 29, 1940. They usually increased the maximum amounts of certain types of loans by the National Bank as required by changed economic and financial conditions.

The juridical and fiscal status of agricultural cooperatives was defined at first in the law of August 5, 1920 (Articles 22-25). This was repeated in Article 16 of the codifying decree of April 29, 1940, but only with regard to the eligibility requirements for loans from the mutual agricultural credit banks. On the other hand, several important dispositions were enacted in various laws and orders pertaining to the general status of agricultural cooperatives without any regard to agricultural credit. The decree of February 11, 1939, compiled for the first time the various general dispositions concerning the juridical and fiscal status of agricultural cooperatives and federations thereof. This decree simply codified the former acts without change, particularly as regards the legal character of cooperatives that may be either civil or commercial societies.

Agricultural institutions were forced to organize on a corporative basis by the laws of December 2, 1940, and December 16, 1942. These were valid only for a short time and did not effect any considerable changes in agricultural cooperation. Both laws were repealed by the ordinance of the Provisional Government in Alger, July 26, 1944. A second ordinance, dated October 12, 1944, provided for provisional agricultural organizations later abolished by the law of March 12, 1946.

In carrying out this 1944 ordinance, agricultural cooperative societies and banks of mutual agricultural credit created since December 2, 1940, have been authorized to continue their activities if they modify their statutes in conformity with the legislation before June 16, 1940.

The second codification of the general legal dispositions concerning agricultural cooperatives was attempted by the law of September 4, 1943. Since this codification followed the forced corporative system, it was repealed in 1945. Although it contained several dispositions of the prior laws, it generally confined the cooperatives to the corporative sphere.

The ordinance of October 12, 1945, is the present basic act for agricultural cooperation in France. The National Bank of Agricultural Credit, the various departments of the interested ministries, and the General Confederation of Agriculture cooperated in drawing up this ordinance. It abrogated entirely the law of September 4, 1943, but did retain certain prescriptions recognized as justified by experience. It provided for the juridical and fiscal status of agricultural cooperatives and replaced the regulations of the law of August 5, 1920 (Articles 22-25). Contrary to the first codification of the agricultural cooperative laws, dated February 11, 1939 (also abrogated by the ordinance), the ordinance of October 12, 1945, established a definition of new legal character for cooperative societies. They and their unions are societies *sui generis*—different from the civil or commercial societies. The new legal definition, as stated by

Article 1 of the ordinance, is: Agricultural cooperatives and their unions are special civil societies with variable capital and membership. They are under the jurisdiction of the civil tribunals. Their objectives are: (1) to facilitate or carry out any activities connected with agricultural production, processing, conserving, or marketing of agricultural products of their members; (2) to supply their members with goods and items needed for agricultural production, such as feed, seed, and fertilizer, and to repair their farm machines and equipment; (3) to lend farm machines, tools, and materials for the exclusive use of their members; (4) to carry out for their members all types of activities connected with agriculture (Article 2).

Agricultural cooperatives may form departmental or regional unions or federations and may organize national federations. Federations may group as unions, cooperatives, or other federations. The various national federations may establish a central federation (confederation). The unions are civil societies consisting of juridical persons with variable capital and membership. Their objectives are the same as stated in Article 2 for the agricultural cooperatives. Article 3 of the ordinance was modified by the law of August 30, 1947, and stated that there is no obstacle to national cooperative unions being similar either in character or branch of activity. The territorial limitations of the unions are to be given in the rules. These cooperatives and unions are entitled to form unions, even with a membership of less than seven. Agricultural cooperatives are entitled to form joint societies or unions with consumers' cooperatives organized according to the provisions of the law of May 7, 1917. However, in such joint organizations, the majority at the general meetings and in the administration council must represent the agricultural cooperatives.

The minimum membership for an agricultural cooperative is seven. All members must be agriculturists farming in the territory of the cooperative. Retired farmers may continue their

membership if they were active in agriculture for at least ten years and do not have any industrial or commercial revenue. The number of such nonfarming members cannot exceed 10 per cent of the total membership. The members sign an agreement that they will perform entirely or in part all those specific agricultural activities for which the cooperative was established. It is impossible to be a member of two cooperatives of the same branch of activity unless land is held in the territory of two cooperatives. The cooperatives may do business with nonmembers but only for three years. After that period the nonmember patron either has to join as a member or cease to use the services of the cooperative. (This disposition of Article 10 may be modified and abolished as provided in a draft-amendment prepared in 1951.)

The shares of the cooperatives are issued directly to members and transferable only with the permission of the administrative council (board of directors). The value of a share is at least 100 francs, which must be paid at the time of admission to society membership. The maximum interest is 5 per cent. Members wishing to withdraw must notify the cooperative in writing three months before the end of the business year, and the board of administrators has to act upon the withdrawal within three months. Expulsion (for grave reasons only) shall be decided only by a two-thirds majority vote at the board meeting. However, at least two thirds of the board members must be present. The liability of the outgoing members either by withdrawal or by expulsion continues for five years after their resignation for the obligations standing at that time in relation to other members or to third persons.

The liability of each member is limited to five times the value of the capital shares in his possession. However, members of a cooperative society receiving a loan from the National Bank of Agricultural Credit have a joint and several liability for the repayment of that loan. It is possible that such liability might

not be required of agricultural cooperatives supervised by the National Bank, provided the amount of credit obtained will not exceed the five times sum of the capital and legal reserves funds (Articles 41 and 46).

The administrators (board members) serve on an honorary basis. However, certain expense allowances may be approved by the general meeting. Administrators are elected for a three-year term, their number being three or a multiple of three, but not more than fifteen (not limited for the unions and federations). One third will be retired each year. Retired members can be re-elected. The board makes decisions by a simple majority, at least half of the members being present. The president will represent the cooperative in legal affairs. The director (manager) is appointed by the board, which fixes his duties, functions, and salary with the bonuses. One or more auditors (supervisor) elected by the general meeting control the bookkeeping, the treasury, the correctness of the inventories, and balance sheets.

If the turnover of the preceding business year is over twenty million francs (law of April 18, 1952), one of the auditors must be approved by the mutual agricultural regional bank or selected from the list of auditors agreed to by the Higher Court. This provision is optional for cooperative societies supervised by regional banks.

A general meeting will be held each year within six months after the closing date of the preceding business year. Extraordinary meetings shall take place when requested by one fourth of the board members or by the auditors. The call for meetings must be published one month before the meeting is to be held. Cooperatives whose territory does not extend beyond the limits of one or more neighboring communities may use public bulletin boards for calling the meeting.

If the activity territory of the cooperative goes beyond the limits of the district, or its membership exceeds 1,000, sectional

or group meetings will be held. The sectional meetings will elect by secret ballot at least three delegates to the general meeting. Each member has one vote. Proxy is granted for only one member. The delegates of the sectional meetings will have as many votes at the general meeting as the total number of members present or represented at the sectional meeting. At least half of the members must be present or represented at the general meetings, or two thirds at extraordinary meetings. This quorum requirement—as shown by experience—is too high, and a new proposal for the modification of Article 33 requests a reduction in the required quorum to a quarter of the members for the general meetings and half for the extraordinary meetings. The balance sheet and operation statement will be prepared annually by the administration and supervised by the auditors, whose report must also be submitted to the general meeting. Ten per cent of the net profit will be put into a reserve fund until it amounts to as much as the registered capital. The reserve fund cannot be distributed among the members. The regulations for bookkeeping are the same as provided by the Commercial Code. However, cooperatives using state and regional bank loans have to follow the instructions of the National Bank of Agricultural Credit. Accounts for the business volume with nonmembers and with members should be kept separately.

If the cooperative should become bankrupt by losing three fourths of its capital, an extraordinary meeting will be called to decide the dissolution. In case of liquidation or dissolution, the remaining actual net worth cannot be distributed, but will be transferred to another agricultural cooperative or institution of general concern with the approval of the Minister of Agriculture after advice of the Higher Council of Cooperation.

The ordinance protects the name of "cooperative" connected with the adjectives "agricultural—farmer—rural . . ." etc. Only societies whose activities are in conformity with the

dispositions of the ordinance of October 12, 1945, are entitled to use the term "agricultural or farmer or rural etc. cooperative." No other societies, as agricultural cooperatives defined by this ordinance, may form unions or federations.

The rules of the societies are public documents and may be inspected by anyone. Article 50 prescribed the method of approval of the statutes and rules by the Central Committee or by the particular Departmental Registration Committee (committee on approval) involved and referred to the establishment of the Higher Council of Agricultural Cooperation by a special law. This was done by the decree of February 6, 1946, which, however, was practically applied only for a short period. The law of May 14, 1946 (Article 3), wished to decentralize and simplify the procedures and abolished Article 50 of the ordinance of October 12, 1945. Finally, the decree of October 16, 1946, abrogated the decree of February 6, 1946, and set forth the powers of the Higher Council of Agricultural Cooperation and determined the functions of the Central and Departmental Registration Committees. The Higher Council of Agricultural Cooperation was instituted originally by the law of March 28, 1935 (amended in 1937 and 1939), as an advisory organization to make proposals to the Minister of Agriculture in all questions relating to agricultural cooperation, including the approval of the rules and the supervision of agricultural cooperatives.

The Higher Council of Agricultural Cooperation has sixty members, of whom eighteen are ex-officio members, and the rest represent agricultural cooperatives and syndicates. The eighteen ex-officio members are: (1) The Minister of Agriculture who is the president of the Council; (2) Director of Professional and Social Affairs in the Ministry of Agriculture; (3) Director of the Economic Affairs in the same Ministry; (4) Director of Agricultural Production; (5) Director General of Rural Engineering; (6) Director General of Waters

and Forestries; (7) President of the administration council at the National Bank of Agricultural Credit; (8) President of the central council of the National Grain Bureau; (9) Director General of the National Bank of Agricultural Credit; (10) Director General of the National Grain Bureau; (11) Vice-President of the Higher Council of Agriculture; (12) President of the General Confederation of Agriculture; (13) President of the National Federation of Mutuality and Agricultural Co-operation (all these members may delegate their representative); and (14-18) one representative each from the Ministries of National Economy, Finances, Interior, and Labor. Twenty-eight members are elected as the agricultural cooperatives' representatives by the general meeting of the National Federation of Agricultural Cooperation. The National Federation of the Producers' Syndicates elects nine members, three cooperative experts are elected by their syndicate, and two members represent the workers and employees of the agricultural cooperatives and are designated by their own syndicate.

The mandate of the elected members runs for three years. However, it is renewable. The Higher Council of Agricultural Cooperation holds at least one meeting annually. The main task of the Council is to study the general conditions of cooperation, to promote its progress, and to set up rules for this development.

The Higher Council elects representatives of the agricultural profession to the Central Registration Committee. This committee also has ex-officio members. The committee of twenty members meets at least once a month and has its office in the Ministry of Agriculture. This Central Committee examines petitions submitted by cooperative unions as well as by departmental, regional, or national cooperatives to see that they comply with the laws. Amendments to the statutes are also subject to the approval of the Central Committee.

Local cooperatives, or cooperatives whose territory of activity does not extend beyond the limits of the department, shall submit their statutes for approval to the Departmental Registration Committees. These committees are composed of ten members—seven are elected and three ex-officio. The committee considers only whether the statutes conform with the legal formalities of the model rules set up by the Higher Council of Cooperation and approved by the Minister of Agriculture.

Cooperatives must submit—according to their size, either to the Central or to the Departmental Committee—a report immediately after their general meeting. This report must include the membership list; the names of the administrators, auditors, and manager; the balance sheet; and the minutes of the general meeting.

Agricultural cooperatives and their unions are supervised by the officials of the Ministry of Agriculture. The financial inspectors are also authorized to inspect their bookkeeping. The control right of the National Bank of Agricultural Credit was extended, and it is now authorized to supervise not only the cooperatives borrowing directly from the Bank but also those financially assisted through the regional banks.

According to Articles 53 and 54, agricultural cooperatives and their unions may form federations: (1) to protect the moral and material interests of their member-cooperatives; (2) to mediate in disputes of cooperatives, particularly concerning the territorial designation of their activities; (3) to improve the bookkeeping system of cooperatives through placing at their disposal its experts; and (4) to propagate cooperative ideas in all forms. These federations, however, cannot, according to the decrees of the law of July 1, 1901, maintain any business activity.

The ordinance did not abrogate the general instructions of the Code Civil (Book III, Chapter IX) and of the law of July 24, 1867 (Chapter III).

All functioning agricultural cooperatives had to revise their statutes and rules to conform to the regulations of the ordinance of October 12, 1945. These revised statutes and rules have to be submitted for approval to the authentic Registration Committee within two years after the promulgation of the ordinance. This period was, however, extended several times.

The basic law for consumer societies was enacted on May 7, 1917, and amended since in 1920, 1925, 1935, 1939, and 1944. The Executive Decree was issued on September 5, 1917. According to this law, the consumer cooperatives are societies with variable capital and membership organized by consumers under the dispositions of the law of July 24, 1867 (Chapter III). They sell to their members consumer goods purchased or produced by the society or by the joint efforts of several cooperatives. The net surplus (profit) will be divided among their members according to their participation (patronage), or it may be donated entirely or partly to public social institutions as provided by their rules. The consumer societies may do business with nonmembers, but these patrons must be admitted as members on request. If provided by the rules, the society may pay interest on the capital, but not more than 6 per cent. Each member has one vote, without regard to the number of shares in his possession. One sixth of the members must be present or represented to have a quorum at the general meeeting. However, this requirement is increased to half of the members if the meeting is to modify or amend the rules. If the necessary quorum fails, a second meeting may be called after ten days. This meeting can pass valid resolutions without regard to the number of members being present. Amendment of the rules requires a two-thirds majority of the members present or represented at the meeting. In all other cases, a simple majority of the votes is sufficient to approve resolutions.

In case of large societies, in accordance with the amending law of July 3, 1925, group meetings will take place to elect

delegates to represent the group at the general meeting. Consumer societies may form unions with production societies for common purchasing or manufacturing of consumer goods, for banking, or for auditing. The member societies of such unions have the voting right either in the proportion of their own membership or according to the business volume done with the union.

The face value of the share cannot exceed 3,000 francs or be less than 100 francs, according to the law of March 24, 1952. If the share value is 3,000 francs, not less than a quarter of this amount must be paid in at the time of admission to membership. The rest may be paid from the dividends on purchases or from the patronage refund received by the member at the distribution of the annual surplus. If the balance must also be paid in cash, this cannot amount to more annually than 25 per cent of the face value of his share. The state can also assist consumer cooperation through special credits, but the amount of such credits cannot exceed half of the society's net worth. The state credit facilities are provided in the state budget and in special laws. The interest may be less than 3 per cent. The first credit allowance for consumers' cooperatives was granted by the law of May 7, 1917 (on the same date the above-described basic law was enacted). It provided for a two-million-franc fund through the Bank of France with a special interest rate of 2 per cent.

However, the most important legal dispositions concerning cooperative societies are contained in special laws pertaining only to a special type of the cooperatives. It is the aim of such legislation to create a special Code of Cooperation, which should contain the general directions. This aim was clearly stated in Article 30 of the law dated September 10, 1947, which pointed out: "All laws pertaining to cooperatives will be codified, this law will compose the first book of this Code and will bear the title: Cooperatives in General." The law of September 10, 1947,

sets up the model rules for cooperative societies. The cooperatives are societies organized: (1) to decrease the total cost of certain goods or services through the mutual cooperation of members for their own benefit, or (2) to improve the quality of the goods distributed for their members or to market the products of their members to consumers. The field of activity of cooperatives embraces all branches of human functions.

Cooperatives may do business with nonmembers if provided by their rules. However, they have to make it possible for nonmembers to become members as prescribed in the rules. Cooperatives also may join in unions.

The administrators (the members of the board of directors) are elected by the membership meeting and for a period of not over six years. The statutes of the societies will provide instructions concerning the seat of the society and the method of doing business. They will declare which actions are reserved for the general meetings and will limit the authority of the directors and of the manager(s). They will include provisions for exercising members' control rights, for amending the rules, and for dissolving or liquidating the society. A general meeting should be held at least once a year. Its purpose is to approve the annual report and the balance sheet of the previous business year and to elect—if necessary—the administrators (directors), manager, and auditors. The voting is secret, and each member has one vote. However, special laws may regulate the voting right in other ways. Usually, the voting right of the member-societies of cooperative unions is proportional to the number of members they have or to the business volume of the society done with the union. The rules may permit voting by mail. Cooperatives with large memberships may have group or sectional meetings to elect the delegates to the general meeting.

The shares bear the member's name and are transferable only with permission of the general meeting, of the administrators, or of the manager, as prescribed in the rules. If not

otherwise provided by special laws, one quarter of the value of the shares must be paid at the time of admission to membership. This amount cannot be less than 100 francs. The balance should be paid within three years. The interest on the share capital cannot exceed 6 per cent. The distribution of the surplus shall conform to the patronage of the members, but the surplus gained from business done with nonmembers cannot be distributed. Bonuses can be paid to administrators and managers, if provided by the rules.

The remainder of the surplus—after deduction of the allocation to the reserve fund and of the legal interest—will be put into reserve, or it may be used for the support of other cooperatives, unions, or public social or professional institutions.

The cooperative societies—if not provided otherwise by special laws—have to deposit their statutes (rules) in duplicate, with the list of the administrators and of the manager(s) containing their addresses and professions, at the court of peace functioning in their territory. These are public documents, and anyone may inspect them without charge.

The term "cooperative" is protected. But a society has to use the words "cooperative society" on all documents. As these general rules concerning cooperative societies included in the thirty articles of the law show, the cooperative legislation of France is primarily based on a very developed system of *special* laws. This general law, the intended first book of the Code of Cooperation, includes all the important legal requirements for cooperative enterprises laid down in the special laws previously enacted. It does not propose any considerable innovation. Since most of the various types of cooperative societies are regulated by their own special laws, there is no doubt that the planned Code of Cooperation, as started with this first law of September 10, 1947, concerning the general model rules, will affect only a relatively small group of the societies, instead of the majority of societies as is implied by a general "Code of Cooperation."

Similarly, several important special laws pertain to types of cooperatives other than agricultural societies. The special legislative provisions for workers' (industrial) productive societies are included in the third book of the Code of Labor and Social Insurance, dated February 25, 1927, which entirely abrogated and replaced the original law of workers' productive and credit societies from December 18, 1915, with the amendments of April 5, 1919, and May 6, 1922. According to the provisions of the Code of Labor (Book III: Articles 27-52), workers' productive societies will be organized by workers or by employees to perform production by mutual cooperation. Such societies may form unions. At least seven members are required to organize a workers' society, and these workers must have the same profession as that for which the society was established and must work in the territory of the society. The administration and the right of disposal of the assets of the society will be decided by the general meeting to which each member has to be admitted. Each member has only a single vote. The general meeting may transfer these rights to the directors, elected for a term of not longer than six years. If the society has members who are not professional workers or employees or who are not working permanently in the territory of the society, at least two thirds of the directors must be elected from among the worker or employee members. The interest on capital cannot exceed 6 per cent, and nonworker members are entitled to interest only. One quarter of the surplus, but not less than the amount of the paid interest, will be distributed among the worker members in proportion to their participation, either on the basis of their received wages or in accordance with the fulfilled working hours.

The Code provides for the organization of workers' credit societies, which will supply the workers' productive societies and their unions or federations with loans. They do banking business only for such societies. These societies may obtain loans

worth up to 80 per cent of the performed, but as yet unpaid, jobs. Loans cannot be for longer than three years nor exceed half the net worth of the society applying for the loan. In case of mortgage, the term will be five years, and the amount may be increased to two thirds of the society's assets.

The state may grant special credit for financial assistance to the workers' productive and credit societies. Funds for this purpose are included in the annual budget. Such credit is distributed by a committee under the official chairmanship of the Minister of Labor. The twenty-two members will be named by decree for a term of three years. Among them, six will represent the cooperative societies. The remittance of these state loans will be provided either directly or through the workers' cooperative banks, which are organized on a basis similar to the workers' productive and credit societies (according to the amending laws of March 22, 1931, and April 27, 1936). The commission fee of the licensed workers' cooperative banks is 2 per cent.

The cooperative societies of the artisans (handicraftsmen) function under similar rules. Their primary purpose is to supply their members with raw materials and credit. When state loans for their financial assistance were first granted, the law of December 27, 1923 (modified by the laws of March 26, 1927, and of March 19, 1928) set forth the legal requirements for artisans' cooperatives. Their construction was defined in the Executive Decree, dated July 27, 1924, as amended December 14, 1925, November 5, 1926, and December 31, 1927.

The state loans for such cooperatives will be distributed by a committee of twenty members under the chairmanship of the Minister of Labor. A control society was organized by the order of January 21, 1943, to audit the business administration of the artisans' societies.

The credit institutions for these societies are the People's Banks established by the law of March 13, 1917 (as amended

by the decree law of December 21, 1936). These banks were established to grant loans to small- and medium-scale commerce and industry. The statutes of the People's Banks set up (1) the duration and territory of the Bank, (2) the total number of the votes and the maximum number of shares to be possessed by the members, and (3) the method of modification of the statutes, which must be approved by the Chamber of the People's Banks and by the Minister of Finances. The shares are issued in the member's name and transferable only with the permission of the board of directors.

The Chamber of the People's Banks is a federative body, with the authority of control rights over the administration and financial activities of the members. It is administered by the Syndical Council composed of from ten to fifteen members elected by the member-banks for a period of six years. The Chamber will protect the interest of the members. It will approve the election of directors for the member-banks, define the rate of the interest, and consider the organization, amalgamation, or dissolution of People's Banks. The member-banks will pay the administrative expenses according to their capital and net profit. The Central Compensation Bank will be established for financial assistance and will handle the deposits and mutual security funds.

Special types of cooperatives were organized, mainly for the benefit of fishermen, in the form of maritime credit societies under the rules of the law of December 4, 1913, as amended by the laws of December 30, 1925, and April 4, 1932. Their purpose is to serve their members in their profession with credit facilities, common purchasing of needed goods, or in cooperative marketing, preserving, and processing of their products.

Reconstruction and building cooperative societies were first organized after World War I in 1920. However, these societies existed for only a short time—until they had accomplished their

original job and were dissolved. A law dated July 26, 1932, finally provided for the liquidation of cooperative reconstruction societies. Similar cooperatives were established again in 1948, when World War II damage created a need for more reconstruction than before. The new law, dated June 16, 1948, laid down the general regulations regarding cooperative reconstruction societies. Their model rules were published in the *Journal Officiel* on August 16, 1948. Their capital—a considerable sum—is provided by the state and not by the members. Therefore, the societies are subject to strict administrative supervision. It is expected that the societies, upon completing their reconstruction job, will continue their functions on a true cooperative basis (with their own capital and with less state control and administration). Through these state-supported socities, farmers and rural people in particular should gain experience and efficiency enabling them to maintain a cooperative system of rural building and housing.

The building societies are either (1) working as service cooperatives that merely prepare the construction and leave the proprietor free to deal with the contractors, or (2) undertaking the whole construction of the buildings. In the first case, special advisors advise builders concerning the right plans, heating, drainage, interior decoration, or modern mechanical equipment, particularly for the kitchen. The future development of rural cooperative housing societies depends on the financial assistance rendered by the state and on how successful the societies are in securing efficient capital from members.

The decree of February 22, 1918, established a Higher Council of Cooperation to study the general condition of cooperation, to make proposals on all useful measures to the government, to facilitate the development of the various types of cooperative organizations, and to establish a permanent relation between the diverse forms of cooperative enterprises. The Council acted under the chairmanship of the Minister of Labor.

Several among the forty-three Council members were appointed ex-officio from Parliament members, officers of interested ministries, and professors of the faculty of law. Twelve members represented the consumer societies and a similar number the workers' productive societies. Four other members were delegated by other consumer and productive societies not under the special cooperative laws. The Council was divided into two autonomous sections: one representing the consumer societies, the other the productive cooperatives.

The Higher Council of Cooperation was reorganized by the decree of January 16, 1947 (modified by the decree of December 5, 1947), which entirely abrogated the decree of February 22, 1918, with its amendments of 1919, 1923, and 1938. The new Higher Council has the same purposes as the prior one. However, it acts under the jurisdiction of the Presidency of the Government. The Council is composed of the following members: one representative of the presidency of the government; two representatives of the Minister of National Economy and Finances (one under the title of National Economy and one under the title of Finances); one representative of the Minister of Agriculture; one representative of the Minister of Public Works, Transportation, and Tourism; one representative of the Minister of Labor and Social Security; one representative of the Minister of Reconstruction and Town Planning; one representative of the Minister of Interior; the presidents of the Committees of Economic Affairs, Agriculture, Industry and Trade, Labor and Social Security, Mercantile Marine and Fishery, Reconstruction of War damages of the National Assembly; the presidents of the corresponding committees of the Council of Republic (Senate); and fourteen delegates of cooperative organizations. These latter members will be appointed upon the recommendation of the following most important cooperative federations: National Federation of Mutuality and Agricultural Cooperation, National Federation of Consumers' Societies, Na-

tional Confederation of Workers' Productive Societies, National Federation of Artisan Cooperatives, and the organizations of credit cooperatives.

The Higher Council has the full power to fix its program and its method of functioning. It may form special sections. The Higher Council of Cooperation holds its meetings at least once in every three months, and the sectional groups meet as necessary.

Codes:

Civil Code: (promulgated on March 18, 1804) Articles 1832-1873.

Commercial Code: (promulgated on September 20, 1807) Articles 18-50, 64, 631.

Labor and Social Insurance Code:

Book I. Articles 30b, 75-77, 103, 105-107—December 28, 1910.

Book III. Articles 1-26, 27-53, 54—February 25, 1927.

Laws, Decrees, Orders, etc.:

Royal Ordinance regulating undertaking for work or provision carried on in the name of communes or philanthropic establishments—November 14, 1837.

Decree opening a credit of three million to be distributed among free associations either of workers or of employers and workers—July 5, 1848.

Law relating to workers' associations—November 15, 1848.

*Law on societies—July 24, 1867. Articles 1-71, 72-80.

Law on the formation of professional unions and trade unions (repealed)—March 21, 1884.

Decree fixing the conditions required for state competition—June 4, 1888.

Notice issued by the State Council—June 27, 1889.

Law admitting French workers' associations to competitions for work or products held by the communes (repealed)—July 29, 1893.

Law amending the law of July 24, 1867, on societies with share capital (joint-stock companies)—August 1, 1893.

Decree amending the decree of January 25, 1862, relating to the finances of the Civil Building Service—November 13, 1893.

Law establishing local mutual agricultural credit societies—November 5, 1894.

Law on savings banks—July 20, 1895.

Law on the suppression of fraud in the butter and margarine trade—April 16, 1897.

Law suspending the privileges of the Bank of France—November 17, 1897.

Law establishing regional mutual agricultural credit banks and for encouraging their activities together with those of local societies and Agricultural Mutual Credit Banks (repealed)—March 31, 1899.
Budget—April 13, 1900, Article 10.
Law concerning agricultural mutual insurance societies—July 4, 1900.
Law concerning contracts of association—July 1, 1901.
Decree making regulations for the execution of the above—August 16, 1901.
Law completing the Commercial Code (Article 34) and the law of July 24, 1867 (Article 3) regarding shares—July 9, 1902.
Budget—March 31, 1903, Article 22.
Decree regulating the application of certain articles of the Financial Law of 1903 to cooperative distilleries—August 19, 1903, Articles 19-20.
Law amending the law of July 9, 1902—November 16, 1903.
Budget—December 30, 1903, Article 21.
Law on patents—April 19, 1905, Articles 9-10.
Budget—April 22, 1905, Articles 14, 18.
Law amending the law of July 18, 1898, on agricultural warrants—April 30, 1906.
Decree supplementing the above—September 7, 1906.
Law granting credits to agricultural societies—December 29, 1906.
Budget—January 30, 1907, Article 3.
Decree granting credits to agricultural societies—May 30, 1907.
Circular of the Minister of Justice concerning Article 5 of the law of November 5, 1894—May 14, 1908.
Decree regulating the public administration of the law of April 10, 1908, on small proprietorship and cheap housing—August 24, 1908, Articles 22-26, 35, 36.
Law on the sale or mortgaging of commercial funds—March 17, 1909, Articles 3, 7, 16-23.
Law authorizing regional maritime credit banks to receive state subsidies (repealed)—March 25, 1910.
Decree relating to the above—April 3, 1910.
Law granting credits to agricultural societies—December 22, 1910.
Law relating to the convention between the Minister of Finance and the Bank of France—December 29, 1911.
Notice issued by the Council of State—January 16, 1912.
Decree relating to the inspection of mutual agricultural insurance societies—August 2, 1912.
Decree modifying the regulation of January 10, 1907, for the application of the law of April 12, 1906, on cheap housing—May 3, 1913.
Decree modifying the regulation of August 24, 1908, for the application of the law of April 10, 1908, on small proprietorship and cheap housing—May 3, 1913.
Law relating to hotel warrants—August 8, 1913.
Decree relating to the above—November 6, 1913.

Law modifying the Commercial Code (Article 34) and the law of July 24, 1867 (Articles 27 and 31) on societies with shares—November 22, 1913.

*Law reorganizing maritime mutual credit—December 4, 1913.

Decree relating to the above—April 12, 1914.

Decree modifying the law of April 10, 1908, relating to small proprietorship and cheap housing—April 17, 1914.

Law modifying the law on the admission of workers' associations to competition held by communes (repealed)—July 13, 1914.

Budget—July 15, 1914, Article 35.

Decree extending the benefits of agricultural mutual credit to fish preserves—September 10, 1914.

Decree modifying the decree of April 12, 1914, on the application of maritime mutual credit—January 22, 1915.

Decree modifying the decree of April 3, 1910, on the fund for maritime mutual credit—February 21, 1915.

Law completing the law of August 8, 1913, on hotel warrants—March 17, 1915.

Law on cooperative societies for production and workers credit (repealed)—December 18, 1915.

Decree nominating a commission dealing with advances to Regional Agricultural Mutual Credit Banks—March 3, 1916.

Decree regulating the administration of the law of December 18, 1915 —July 28, 1916.

Law on the provision of credit for small- and medium-scale commerce and industry—March 13, 1917.

Law on companies with working class membership—April 26, 1917.

*Law providing credit for consumers' cooperative societies—May 7, 1917.

*Law creating a fund of 2 million francs for assistance to consumers' cooperative societies—May 7, 1917.

Law relating to taxes on personal property—July 31, 1917, Article 15.

Decree making regulations for the execution of the law of May 7, 1917, for the organization of the credit of consumers' cooperative societies —September 5, 1917.

Decree relating to the law of March 13, 1917, on credit for small- and medium-scale commerce and industry—January 31, 1918.

Decree relating to the institution of a Higher Council of Cooperation—February 22, 1918.

Law on state advances to mortgage loan societies and regional agricultural mutual credit banks—April 9, 1918.

Law concerning the cultivation of derelict land—May 4, 1918.

Decree applying the above law—July 12, 1918.

Order constituting a commission to handle advances under the above law—July 31, 1918.

Law renewing the privileges of the Bank of France—December 20, 1918.

Decree modifying that of August 26, 1917, authorizing advances to agricultural cooperative societies—January 3, 1919.
Law establishing a commercial register—March 18, 1919.
Law opening certain credits for exceptional military and civil expenditure—March 31, 1919, Article 12.
Law completing Article 14 of the law of December 18, 1915, on worker (productive) cooperative societies and the organization of credit to workers in France (repealed)—April 5, 1919.
Decree completing the decree of February 22, 1918, regarding a Higher Council of Cooperation—April 22, 1919.
Law regulating the situation created by the war in the case of mortgage and housing societies—April 24, 1919.
Law relating to commercial societies in the invaded regions—July 16, 1919.
Decree relating to the organization of a general service of inspection of agricultural associations and credit institutions—July 19, 1919.
Decree relating to credit facilities to agricultural societies and others in invaded districts—September 29, 1919.
Law on the use of water power—October 16, 1919, Article 28.
Law opening a credit of fifty million francs in favor of small commercial and industrial enterprises—October 24, 1919.
Law authorizing departments and communes to acquire land with a view to settling workers and others on it—October 31, 1919.
Decree applying the dispositions of the law of March 21, 1884, on professional syndicates, to Alsace-Lorraine—December 3, 1919.
Decree relating to the law of October 24, 1919, on credit to small commercial and industrial enterprises—March 3, 1920.
Law on the extension of civil rights to professional syndicates (repealed)—March 12, 1920.
Law applying the above law to Alsace-Lorraine—April 27, 1920.
Law modifying the law of May 7, 1917, on credit to consumers' cooperative societies—June 14, 1920.
Law creating new fiscal resources—June 25, 1920, Article 59.
Law instituting special taxes on industrial property and inscription on the commercial register—June 26, 1920.
Budget—July 31, 1920, Article 19.
*Law on mutual credit and agricultural cooperation—August 5, 1920.
Order forming a section dealing with agricultural credit and mutual societies at the National Agronomic Institute—August 6, 1920.
Law amending the law of March 13, 1917, on credit to small- and medium-scale commerce and industry—August 7, 1920.
Law establishing the legal conditions affecting reconstruction societies formed by war victims in devastated areas—August 15, 1920.
Instructions by the Minister of Finance relating to the execution of the fiscal law of 1920—August 29, 1920.
Decree relating to the participation of French workers' associations in public competitions—October 5, 1920.

Decree relating to the law of August 15, 1920, on reconstruction societies—October 9, 1920.

Decree creating a chair of cooperation at the College de France—December 3, 1920.

Decree modifying the constitution of the Higher Council of Labor—January 31, 1921.

*Decree relating to the execution of the law of August 5, 1920, on mutual credit and agricultural cooperation—February 9, 1921.

Instructions regarding the administration of the law of August 5, 1920—February 21, 1921.

Order on the election of the Plenary Commission of Agricultural Credit—March 29, 1921.

Budget—April 30, 1921, Article 75.

Order regarding the particulars to be furnished by institutions demanding advances from the National Office of Agricultural Credit—May 19, 1921.

Decree fixing the proportions in which the agricultural credit fund should be allocated to different types of loans—June 3, 1921.

Notice of the Council of State—June 22, 1921.

Order relating to the financial functions of the National Office of Agricultural Credit—July 1, 1921.

Decree relating to the law of August 5, 1920, on mutual credit and agricultural cooperation—July 7, 1921.

Law completing the law of August 15, 1920, on reconstruction societies—July 12, 1921.

Law concerning the ordinary and extraordinary budgets—July 16, 1921, Article 11.

Law transferring state vessels to a cooperative society of seamen—August 9, 1921, Article 4.

Decree relating to the law of August 15, 1920, on reconstruction societies (as amended on October 9, 1920, and July 12, 1921)—August 29, 1921.

Law relating to railways (railwaymen's cooperative societies)—October 29, 1921, Article 3.

Order relating to the particulars to be furnished by mortgage societies applying for advances to the National Office of Agricultural Credit—December 20, 1921.

Decree relating to the control of the National Office of Agricultural Credit—December 23, 1921.

Budget—December 31, 1921, Articles 122, 124.

Law on assistance to People's Banks—January 7, 1922.

Law modifying the law (1919) on mortgage and housing societies affected by the war—February 17, 1922.

Decree modifying the decree of October 9, 1920, on reconstruction societies—February 20, 1922.

Decree on insurance societies—March 8, 1922, Article 49.

Decree amending the law on small proprietorship and cheap housing—March 13, 1922.
Special budget law—March 31, 1922, Articles 10-11.
Law exempting agricultural mutual credit societies from registration on the commercial register—April 18, 1922.
Law modifying Article 14 of the law of December 18, 1915, on workers' productive and cooperative societies (repealed)—May 6, 1922.
Decree relating to the general confederation of cooperative reconstruction societies—May 27, 1922.
Circular relating to documents furnished by agricultural mutual credit banks—October 24, 1922.
*Law codifying the laws on small proprietorship and cheap housing—December 5, 1922, Articles 7, 30-31, 49, 53.
Law modifying Articles 6 and 8 of the law of August 5, 1920, on mutual credit and agricultural cooperation—December 7, 1922.
Law making special advances to departments and communes for land settlement—December 8, 1922.
Law extending workers' accident insurance to agriculture—December 15, 1922.
Law completing Article 23 of the law of August 5, 1920, on mutual credit and agricultural cooperation—December 30, 1922.
Circular concerning cooperative slaughter houses—January 8, 1923.
Decree concerning the application of the law of December 8, 1922, on land settlement—January 9, 1923.
Law modifying the regulations concerning distilleries—February 28, 1923.
Laws providing credits to reconstruction societies—February 28 and March 30, 1923, Articles 7 and 9.
Decree on subsidies to horse breeding associations—March 14, 1923.
Circular concerning distilleries—April 20, 1923.
Law amending Article 7 of the law of December 5, 1922, regarding small proprietorship and cheap housing—April 27, 1923.
Order concerning subsidies for rural electrification—April 30, 1923.
Law regarding registration on the commercial register—June 1, 1923.
Note regarding land settlement—June 7, 1923.
Decree amending the allocation of agricultural credit to different forms of loans—June 8, 1923.
Budget—June 30, 1923, Articles 170-172.
*Law facilitating the formation of cooperative societies and agricultural associations with collective interests contemplated in Article 22 of the law of August 5, 1920, and defining the legal system of those societies—July 12, 1923.
Decree concerning the Higher Council of Cooperation—July 17, 1923.
Decree relating to agricultural mutual insurance societies applying for state subsidies—August 2, 1923.
Law facilitating state advances for electrification in the country—August 2, 1923.

Laws dealing with mutual aid societies—August 15, 1923.

Decree fixing the rates of interest in regional banks, local banks, and maritime mutual cooperative credit societies—August 18, 1923.

Decree granting special credit facilities to ex-servicemen and civil war victims—August 22, 1923.

Decree relating to the application of the law of June 30, 1923 (Article 172) concerning hotel credit—November 30, 1923.

Decree and order relating to the law of August 2, 1923, on rural electrification—December 13, 1923.

Law establishing a system of agricultural life insurance—December 18, 1923.

Law organizing credit for artisans' cooperative societies and their unions—December 27, 1923.

Law concerning credits for the cultivation of derelict land—December 28, 1923, Article 14.

Decree on cooperative reconstruction societies (repealed)—December 31, 1923.

Law concerning the fiscal privileges of the banks of workers' productive societies—January 3, 1924.

Order concerning subsidies for rural electrification—January 5, 1924.

Order concerning the election of members to the Higher Council of Cooperation—February 6, 1924.

Circular regarding mutual insurance societies against workers' accidents—February 22, 1924.

Decree concerning agricultural life insurance—March 4, 1924.

Law amending the law of June 1, 1923, on the commercial register—March 17, 1924.

Decree reorganizing the higher council for cheap housing—March 27, 1924.

Order concerning the returns of agricultural mutual insurance societies—March 27, 1924.

Decree concerning cooperative reconstruction societies—May 2, 1924.

Decree relating to the inspection of agricultural and credit organizations—May 31, 1924.

Circular on agricultural credit—May 31, 1924.

Decree regarding the commission making grants to mutual agricultural insurance societies—May 31, 1924.

Decree amending the decree on agricultural mutual insurance societies—July 10, 1924.

Law amending the law on town planning—July 19, 1924.

Decree concerning credit to artisans' cooperative societies and their unions—July 27, 1924.

Law reconstituting the Maritime Mutual Credit Fund—August 8, 1924.

Law on the fixing of the price of milling products—August 31, 1924.

Decree amending the regulations on the election of representatives on the Higher Council of Credit—October 9, 1924.

Decree modifying the allocation of agricultural credit to different forms of credit—November 8, 1924.

Decree constituting a national economic council—January 16, 1925.

Law tending to institute limited liability societies—March 7, 1925.

Law on budget credits—March 10, 1925, Article 54.

Decree on the suppression of fraud in the sale of foodstuffs—March 26, 1925.

Law completing the law of May 7, 1917, on credit to consumers' societies—July 3, 1925.

Budget—July 13, 1925, Articles 85, 86, 101, 212, 213, 298.

Law creating the International Institute of Intellectual Cooperation—August 6, 1925.

Decree regarding loans to societies for rural electrification—September 14, 1925.

Letter of Registrar General—October 20, 1925.

Decree regarding the accounts of the National Office of Agricultural Credit—October 25, 1925.

Decree modifying the decree of July 27, 1924 (Article 17) concerning the application of the law of December 27, 1923, to credit for artisans' cooperative societies—December 14, 1925.

Order concerning the deposits of workers' accident insurance societies—December 15, 1925.

Decree on rural electrification—December 27, 1925.

Law modifying the law of December 4, 1913, on maritime mutual credit—December 30, 1925.

Decree on cooperative reconstruction societies—February 2, 1926.

Law creating new fiscal resources—April 4, 1926, Articles 17-21.

Decree concerning workmen's accident insurance in agriculture—April 30, 1926.

Circular of the Minister of Agriculture concerning the suppression of fraud in the sale of fertilizers—May 23, 1926.

Law on budget credits—June 30, 1926, Article 21.

Law on cooperative milling—July 3, 1926.

Circular of the Under Secretary of State concerning special tax problems of cooperative societies—July 8, 1926.

Circular of the Director General for indirect taxes—July 22, 1926.

Law modifying the law of August 5, 1920, on mutual credit and agricultural cooperation—August 9, 1926.

Law on French workers' societies and public competitions—August 18, 1926.

Decree creating a bread grains office—August 26, 1926.

Decree concerning cheap housing—September 18, 1926.

Decree on administrative decentralization—November 5, 1926, Articles 14, 51.

Decree postponing the revision of the rules of People's Banks—November 5, 1926.

Decree modifying the proportion of agricultural credit to be distributed in various directions and fixing the advances to cooperative societies and similar bodies at 25 per cent—December 9, 1926.

Budget—December 19, 1926, Articles 66-68, 90.

Decree on municipal monopolies—December 28, 1926.

Decree relating to cooperative reconstruction societies—January 6, 1927.

Decree relating to the tax on registration in the commercial register—January 12, 1927.

Law modifying the labor laws—February 25, 1927 (Part III).

Law of grants of credit to artisans—March 26, 1927, Article 100.

Decree modifying the decree of October 9, 1920, relating to the composition of the Central Committee, with power over the decisions of the special committee controlling cooperative reconstruction societies—March 30, 1927.

Law opening and closing credits for the year 1926 as relating to the general budgets and the budgets annexed—March 31, 1927, Article 16.

Decree fixing the rate of loans at long term to individuals and corporations in accordance with the law of August 5, 1920, on mutual credit and agricultural cooperation—April 7, 1927.

Letter of Registrar General concerning fishermen's local credit banks—April 9, 1927.

Circular letter on taxation as affecting workers' productive societies—May 4, 1927.

Decree fixing the rates of interest on advances to workers' cooperative societies and their unions—May 15, 1927.

Decree modifying the division of funds constituting the endowment of agricultural credit—August 17, 1927.

Law opening and closing credits for the year 1927 as relating to the general budget and the budgets annexed—December 9, 1927, Article 40.

Decree regulating the administrative account of the National Bank of Agricultural Credit for 1926—December 11, 1927.

Law confirming the general budget for the year 1928 (sections dealing with loans to agricultural mutual credit banks)—December 27, 1927, Articles 19 and 108.

Law modifying the law of April 1, 1898, relating to societies for mutual aid—December 28, 1927.

Decree prolonging the delay granted to popular banks to enable them to bring their rules into harmony with the provisions of December 27, 1923—December 31, 1927.

Decree fixing the rate of interest on advances granted by the state to workers' productive and credit societies—January 14, 1928.

Decree modifying the decree of April 7, 1927, fixing the rate of interest on long-term loans granted in accordance with the law of August 5, 1920, on mutual credit and agricultural cooperation—March 3, 1928.

Decree fixing a new division of the agricultural credit funds regarding different types of loans—March 9, 1928.

Law opening and closing credits for the year 1927 as regards the general budget and budgets annexed—March 19, 1928, Article 65.

Law modifying the law of December 30, 1925, on maritime mutual credit—March 28, 1928.

Decree relating to the reduction in the maximum rate of interest on loans accorded by housing organizations—April 4, 1928.

Law on social insurance—April 5, 1928.

Decree concerning the legal position of cooperative reconstruction societies formed by owners of property damaged in the war—June 9, 1928.

Monetary law—June 25, 1928.

Decree fixing the rate of interest on advances granted to artisans' cooperative societies and their unions—July 5, 1928.

Law authorizing popular banks to amend their rules in order to make advances to artisans according to the terms of the above law—July 10, 1928.

Law approving a program of cheap housing—July 13, 1928.

Law facilitating through state advances the granting of medium-term loans in accordance with the law of August 5, 1920, on mutual credit and agricultural cooperation with the object of intensifying agricultural production—July 15, 1928.

Law opening credits for rural electrification—July 15, 1928.

Decree modifying the allocation of funds for agricultural credit among the different types of loans—August 11, 1928.

Decree relating to the application of the law of July 15, 1928, facilitating by means of state advances the grant of medium-term loans in accordance with the law of August 5, 1920, on mutual credit and agricultural cooperation, with a view to encouraging the intensification of agricultural production—August 28, 1928.

Decree relating to Article 90 of the law of December 19, 1926, authorizing the National Bank of Agricultural Credit to receive deposits directly—August 28, 1928.

Decree relating to the application of Article 21 to the law of July 13, 1928, on regional agricultural mutual credit banks—October 20, 1928.

Financial law—December 30, 1928.

Decree fixing the rate of interest of advances granted by the state to industrial cooperative societies for production and credit—January 5, 1929.

Order of the Ministry of Agriculture regulating the election of delegates to the full commission of the National Bank of Agricultural Credit —January 9, 1929.

Order of the Ministry of Finance instituting a commission on the fiscal status of agricultural cooperative societies—February 4, 1929.

Orders with regard to the personnel of the above commission—February 13, 1929.

Decree fixing for the year 1929 the rate of interest on individual and collective loans at long term under the law of August 5, 1920—February 15, 1929.

Decree and order on the recruitment of inspectors of agricultural associations and credit institutions—February 21 and March 4, 1929.

Decree regulating the administration of the law of April 5, 1928, on social insurance—March 30, 1929.

Decree regulating the public administration of the decree of February 9, 1921, on the law of August 5, 1920, on mutual credit and agricultural cooperation—April 4, 1929.

Order of the Minister of Agriculture fixing the rate of interest for agricultural mutual credit banks—April 10, 1929.

Order relating to the funds investing in deposit by regional banks to the National Bank of Agricultural Credit—April 11, 1929.

Law modifying the law of December 27, 1923, on the organization of credits to artisans' cooperative societies and their unions and to small artisans—May 1, 1929.

Decree modifying the allocation of agricultural credit among the different categories of loans—May 17, 1929.

Decree nominating a commission for distributing assistance to societies for consumers' cooperation and their unions—May 26, 1929.

Law modifying the law of August 5, 1920, on mutual credit and agricultural cooperation—July 14, 1929.

Order modifying the Order of May 19, 1921, relating to grants to credit institutions and to their control—July 20, 1929.

Law modifying the law of March 13, 1917, having for its object the organization of credit to small- and medium-scale commerce and industry—July 24, 1929.

Law concerning the improvement of housing conditions for agricultural laborers—July 31, 1929.

Law facilitating by means of state advances long-term credit operations affected on the application of the law of August 5, 1920, on mutual credit and agricultural cooperation—August 4, 1929.

Circular relating to the credit facilities placed at the disposal of producers of grain—September 19, 1929.

Decree relating to the application of the law of August 4, 1929, facilitating advances by the state for purposes of long-term credit in application of the law of August 5, 1920, on mutual credit and agricultural cooperation—October 22, 1929.

Decree modifying the decree of August 2, 1923, relating to the constitution and functioning of societies for mutual agricultural insurance which appeal for state aid—January 26, 1930.

Decree fixing for the year 1930 the rate of interest for individual and collective loans at long term agreed to under the law of August 5,

1920, on mutual credit and agricultural cooperation—March 23, 1930.

Law confirming the general budget for 1930-31—April 6, 1930.

Law creating a provisional fund of one million francs in order to repair the exceptional damage caused by storms from March 1 to 10, 1930—April 8, 1930.

Law approving the conventions entered into by the Mortgage Credit Bank of France, the National Bank of Agricultural Credit, and the National Credit Institution as to the application of the law of April 8, 1930—April 16, 1930.

Law modifying and completing the law of April 5, 1928, on social insurance—April 30, 1930.

Decrees modifying the application of previous laws on social insurance —June 30, 1930.

Law on insurance contracts—July 13, 1930.

Order relating to the investing of funds received in deposit by National Bank of Agricultural Credit—October 29, 1930.

Law modifying certain paragraphs of the Civil and Commercial Codes relating to evidence in the case of societies—December 21, 1930.

Decree renewing the commission distributing assistance to unions and societies for cooperative consumption—December 31, 1930.

Decree nominating members to the commission distributing assistance to workers' productive associations—January 14, 1931.

Decree fixing the rate of interest on individual and collective long-term loans made according to the law of August 5, 1920, on mutual credit and agricultural cooperation—January 22, 1931.

Law on insurance, capitalization, and savings institutions—February 10, 1931.

*Law to facilitate the creation of unions of agricultural and consumers' cooperative societies with a view to reducing the cost of living—February, 1931.

Decree modifying previous decrees regarding the convention between the National Bank of Agricultural Credit and other bodies for the application of the law of April 8, 1930—February 24, 1931.

Law allowing small artisans to receive long-term loans from agricultural credit societies—March 17, 1931.

Law modifying the Labor and Social Insurance Code as relating to workers' productive and credit societies—March 22, 1931.

Law completing previous laws on maritime credit—March 29, 1931.

Law authorizing new state advances for the purpose of making medium-term loans by way of mutual credit and agricultural cooperation for the intensification of agricultural production—March 30, 1931.

Law establishing the general budget for 1931-32—March 31, 1931.

Law amending the Labor and Social Insurance Code (workers' productive and credit societies)—April 18, 1931.

Decree relating to the granting of state advances for medium-term

loans through mutual credit and agricultural cooperative societies—May 29, 1931.

Law authorizing the National Bank of Agricultural Credit to make short-term loans up to total of 100 million francs to the mutual agricultural credit institutions of the colonies, protected or mandated territories on the guarantee of the local authorities and after a decree approving the loan—July 10, 1931.

Decree establishing the conditions under which agricultural syndicates and other bodies shall make payments in respect of social insurances—July 18, 1931.

Decree relating to the participation of French workers' societies in public competitions—October 1, 1931.

Decree opening credits for the encouragement of consumers' cooperative societies—October 27, 1931.

Decree fixing the rate of interest in savings banks without communal guarantee—October 30, 1931.

Order relating to the decree on workers' societies and public competitions—November 3, 1931.

Decree fixing the allocation of agricultural credit among the different types of loans—December 3, 1931.

Law authorizing agricultural mutual credit banks to grant loans to communities and communal syndicates for the carrying out of general agricultural-purpose works—December 28, 1931.

Decree fixing the rate of interest on advances by the state to workers' cooperative societies for production or credit during 1932—January 9, 1932.

Order determining the sums that may be lent by agricultural credit banks under the law of December 28, 1931—February 15, 1932.

Decree determining for 1932 the rates of interest on individual and collective long-term loans under the law on mutual credit and agricultural cooperation—March 8, 1932.

Decree amending the decree of July 19, 1919, on the inspection of agricultural and credit institutions—March 8, 1932.

*Law increasing the credit granted under previous laws for medium-term loans during 1931-32—March 24, 1932.

Law concerning the agricultural mutual insurance societies against hailstorms—March 31, 1932.

Decree relating to the area served by maritime credit banks—April 4, 1932.

Law on cooperative milling—April 7, 1932.

Law completing the laws on maritime credit—April 9, 1932.

Law concerning the liquidation of cooperative reconstruction societies—April 16, 1932.

Law facilitating by means of new state grants medium-term loans under the law on mutual credit and agricultural cooperation, especially in the case of young farmers on small holdings and those who have suffered natural calamities—July 20, 1932.

Law facilitating by means of new state grants long-term loans under the law of mutual credit and agricultural cooperation—July 22, 1932.

Law regarding the liquidation of cooperative reconstruction societies—July 26, 1932.

Decree modifying the law of August 5, 1920, on mutual credit and agricultural cooperation—August 25, 1932.

Decree concerning fresh advances for medium-term agricultural credit—October 12, 1932.

Decree concerning fresh advances for long-term agricultural credit—October 14, 1932.

Decree concerning the staff of the National Bank of Agricultural Credit—October 15, 1932.

Decree modifying the decree of April 15, 1924, relating to the autonomous banks created by the mutual benefit societies—June 9, 1933.

Declaration relating to the organization and operation of mutual agricultural insurance societies against hailstorms—March 18, 1933.

Decree modifying the decree of October 20, 1928, concerning the regional mutual agricultural credit banks—July 14, 1933.

Law relating to the organization and protection of the grain market—July 9, 1934.

Decree relating to the agricultural mutual insurance societies against hailstorms—March 21, 1935.

Decree relating to the creation of a Higher Council of Agricultural Cooperation—March 28, 1935.

Law providing funds for short-, intermediate-, and long-term credits through the National Bank of Agricultural Credit—April 18, 1935.

Law extending the repayment term up to December 31, 1936, for the special loans for grain growers—July 5, 1935.

Decree relating to the legal and financial status of the agricultural cooperative societies and their unions—August 8, 1935.

Decree law modifying or completing the legislation on mutual credit and agricultural cooperation—September 28, 1935.

Decree law extending the control over agricultural cooperative societies with the benefit of fiscal exemptions—October 30, 1935.

Decree relating to workers' productive cooperative societies—October 30, 1935.

Decree modifying the regulations of People's Banks—October 30, 1935.

Decree relating to the cooperative societies of consumption—October 30, 1935 (rectifying).

Decree relating to the regional agricultural mutual credit banks. (Financial and accountable rules of order for the administration of the security bank of the mutual insurance societies against hailstorms.) —January 22, 1936.

Law relating to the deferred amortization of various loans granted by the agricultural credit banks—March 24 ,1936.

Decree modifying the decree of December 20, 1923, establishing a consultative committee for study of the questions for application of

legislative and regulatory arrangements concerning the mutual agricultural insurances—April 25, 1936.

Law relating to the workers' cooperative banks—April 27, 1936.

Decree fixing the conditions of application of the decree of August 8, 1935, relating to the legal and financial status of the agricultural cooperative societies and their unions—August 13, 1936.

Law leading to establishment of a national interprofessional grain office —August 15, 1936.

Law extending the repayment term of special loans for agricultural producers—August 20, 1936.

Law to facilitate the creation of unions of agricultural cooperatives and consumers' cooperative societies in order to reduce the cost of living—August 26, 1936.

Law relating to the People's Banks—December 21, 1936.

Decree modifying the decree law of August 8, 1935, and the decree of August 13, 1936, regarding the legal and financial regulations of the agricultural cooperative societies and their unions—April 27, 1937.

Law modifying some dispositions of Chapter I, Title II, Book III, of Labor Code concerning the workers' productive cooperative societies —May 29, 1937.

Decree relating to the control of the institutions of credit and agricultural cooperation—June 18, 1937.

Decree law authorizing the National Bank of Agricultural Credit to make loans to the agricultural credit institutions in Algeria, Morocco, and Tunis—August 25, 1937.

Decree modifying the law of April 1, 1898, relating to the benefit societies—August 28, 1937.

Decree relating to the legal and financial status of the agricultural cooperative societies and their unions—August 31, 1937.

Decree relating to the mutual credit and agricultural cooperation—August 31, 1937.

Decree relating to the activity of the state auditor for the People's Banks—September 5, 1937.

Order abrogating and replacing the order of February 12, 1936, fixing the conditions to be fulfilled by the workers' productive societies in order to benefit from the dispositions of the decree of October 1, 1931—October 6, 1937.

Decree codifying the dispositions of the law of August 15, 1936, as modified by the decree laws of July 16, August 29 and 31, 1937, relating to the organization of the national grain office (amended on June 17 and November 12, 1938)—November 23, 1937.

Decree completing the decree of March 28, 1935, establishing the Higher Council of Agricultural Cooperation—November 25, 1937.

Decree concerning the operation of the Higher Council of Cooperation —December 11, 1937.

Decree establishing a commission entrusted to study the present situation of cooperation, to propose to the government every useful measure of amelioration, and to establish a permanent connection between the different forms of cooperative organization—April 7, 1938.

Decree concerning agricultural cooperation—May 24, 1938.

Decree law relating to the collaboration between the office of the disabled ex-service men and the National Bank of Agricultural Credit—May 31, 1938.

Decree relating to the creation of a central cooperative credit bank—June 17, 1938.

Decree law authorizing the National Bank of Agricultural Credit to make loans to communities and to communal syndicates for rural works—June 17, 1938.

Decree law relating to the organization and functions of the National Bank of Agricultural Credit, of the regional banks of mutual agricultural credit, and of their affiliated local banks—June 17, 1938.

Decree law concerning the improvement of housing conditions for agricultural laborers—June 17, 1938.

Decree fixing the conditions of operating for the Central Cooperative Credit Bank—October 31, 1938.

Decree tending to convert the societies for consumers into cooperative societies—November 12, 1938.

Decree codifying the legislative texts relating to the legal and financial status of the agricultural cooperative societies and their unions—February 11, 1939.

Decree modifying the decree of March 28, 1935, establishing the Higher Council of Agricultural Cooperation—July 13, 1939.

Decree modifying Article 9 of the law of May 7, 1917, relating to the consumers' cooperative societies—July 29, 1939.

Decree law relating to the advances of the National Bank of Agricultural Credit—July 29, 1939.

*Decree codifying the legal provisions relating to the mutual credit and agricultural cooperation—April 29, 1940.

Law relating to the organization of dairy cooperatives—September 12, 1940.

Law relating to the administration of the National Bank of Agricultural Credit (abrogated in 1944)—November 20, 1940.

Law relating to corporative organization of agriculture (entirely abrogated in 1944)—December 2, 1940.

Order relating to the subsidy for the rural corporative commission for organization of mutual banks, of agricultural credit, of syndicates and cooperatives (abrogated in 1944)—August 7, 1941.

*Law modifying the decree of April 29, 1940, modifying the legal provisions relating to mutual credit and agricultural cooperation—September 11, 1941.

Law amending the provisions relating to the agricultural corporative organizations (abrogated in 1944)—December 16, 1942.

Order on the unification of the activity of cooperatives and agricultural syndicates for the purchase and for joint use of agricultural machinery—January 20, 1943.

Order regulating the operation of the society for controlling artisans' cooperative societies, their unions and federations—January 21, 1943.

Law increasing the maximum of registered capital for societies with variable capital (Article 49 of the law of July 24, 1867)—March 2, 1943.

Law relating to the legal status of agricultural cooperation (abrogated in 1945)—September 4, 1943.

Law modifying Article 49 of the law of July 24, 1867—March 15, 1944.

Ordinance abrogating the laws relating to the corporative organization of agriculture (issued by the Provisional Government in Alger)—July 26, 1944.

Ordinance relating to the operations of economic order of agricultural cooperatives and their unions—October 8, 1945.

*Ordinance concerning the legal status for agricultural cooperation—October 12, 1945.

Ordinance establishing professional provisory organization of agriculture—October 12, 1944.

Ordinance relating to mutual credit and agricultural credit and to the administration of the National Bank of Agricultural Credit—October 17, 1944.

Decree authorizing the National Bank of Agricultural Credit to effect withdrawals from the account opened in its name in the Treasury books in execution of the agreement of January 31, 1942 (in order to facilitate the operations of medium-term credit up to the limit of 500 million francs)—January 14, 1946.

Decree prescribing the procedure for establishment of a Higher Council of Agricultural Cooperation, and a committee for the registration of agricultural cooperatives—February 6, 1946.

Law concerning the dissolution of provisional organization of agriculture—March 12, 1946.

Decree amending the distribution of the dotation of agricultural credit among different types of credit fixed by the decree of November 28, 1945—March 21, 1946.

Decree to coordinate the rules of Type C agricultural cooperatives for the purchase and joint use of agricultural supplies, tools and machinery—April 4, 1946.

Law amending the decree of April 29, 1940, codifying the legal provisions regulating mutual credit and agricultural cooperation,
Decree amending the distribution of the resources from the dotation of
amended by the law of September 11, 1941—May 7, 1946.

agricultural credit among different types of agricultural credit fixed by the decree of March 21, 1946—May 8, 1946.

*Law amending certain provisions of the ordinance of October 12, 1945, on the constitution of agricultural cooperation (Higher Council of Agricultural Cooperation)—May 14, 1946.

Law on the organization of credit in France—May 17, 1946.

Decree on the repayment of advances made to the General Confederation of Sugar-Beet Growers by the National Bank of Agricultural Credit—May 22, 1946.

Law on the granting of loans of mutual agricultural credit to young farmers setting up a farm—May 24, 1946.

Decree raising the limit to which the National Bank of Agricultural Credit is allowed to effect withdrawals from the account opened in its name in the Treasury books in execution of the agreement of January 31, 1942 (limit raised from 500 million to a thousand million francs in order to facilitate the operation of medium-term credit)—May 31, 1946.

Decree fixing the first budget modifying the original budget of the National Bank of Agricultural Credit for 1946—May 31, 1946.

Decree regulating the exercise of the powers of general inspection of agricultural associations and credit institutes transferred to the inspectorate of social legislation in agriculture—June 17, 1946.

Decree to coordinate the rules of Type B agricultural cooperatives for joint purchase and supply—July 9, 1946.

Decree to coordinate the rules of Type A agricultural cooperatives having as their aim the production, processing, conservation, or marketing of agricultural products—July 9, 1946.

Decree on the schedule of liabilities of the agricultural social insurance organizations—July 20, 1946.

Decree amending Article 8 of the decree of November 30, 1942, on the conditions of employment of the funds held by the National Bank of Agricultural Credit—September 6, 1946.

Decree on the schedule of liabilities of the mutual banks in the case of accidents incurred in agricultural labor—September 10, 1946.

Law amending and completing Article 1 of the law of May 24, 1946, on the granting of loans of agricultural mutual credit to young farmers setting up a farm. (The new legal provisions allow the bank making the loan to authorize the borrower not to take out a life insurance policy if sufficient security is given.)—September 25, 1946.

*Decree prescribing the public administration for the composition and functions of the Higher Council of Agricultural Cooperation—October 16, 1946.

Decree amending the limit to which the National Bank of Agricultural Credit is authorized to effect withdrawals from the account opened in its name in the Treasury books in execution of the decree of

January 31, 1942 (in order to facilitate the operations of medium-term credit)—December 16, 1946.

*Decree establishing a Higher Council of Cooperation—January 16, 1947.

Decree authorizing the People's Banks to handle the deposits of the Social Security Funds—May 9, 1947.

Decree authorizing the People's Banks to handle the funds for paid vacation—June 6, 1947.

Decree extending the force of the ordinance of October 12, 1947, on agricultural cooperation to overseas departments of Guadeloupe, French Guyane, Martinique, and Réunion—June 28, 1947.

Decree extending the force of the decree of April 29, 1940, on mutual credit and agricultural cooperation to overseas departments of Guadeloupe, French Guyane, Martinique, and Réunion—June 28, 1947.

Law modifying the ordinance of October 12, 1945, on the legal status of agricultural cooperation—August 30, 1947.

Law modifying Article 55 of the ordinance of October 12, 1945—September 3, 1947.

*Law on the statutes of cooperatives—September 10, 1947.

Decree modifying the decree of January 16, 1947, concerning the Higher Council of Cooperation—December 5, 1947.

Decree amending the limit to which the National Bank of Agricultural Credit is allowed to effect withdrawals from the account opened in its name in the Treasury books in execution of the agreement of January 31, 1942—February 26, 1948.

Law delaying provisionally certain wartime dispositions (fiscal exemptions for certain cooperatives)—February 28, 1948.

Law on general budget and supplement budgets for financial year 1948, Title IV, Article 12—March 21, 1948.

Law establishing an autonomous bank for reconstruction—March 21, 1948.

Law relating to the cooperative construction societies and the syndicates of reconstruction associations—June 16, 1948.

Law modifying Article 49 of the law of July 24, 1867—September 18, 1948.

Decree concerning operations of the Modernization and Equipment Fund (Advances to National Bank of Agricultural Credit to grant loans for rural equipment purposes)—October 1, 1948.

Decree regulating the aid to the cooperative societies and the syndicates of reconstruction associations—December 18, 1948.

Decree amending the distribution of resources from the dotation of agricultural credit—January 6, 1949.

Law modifying Article 55 of the ordinance of October 12, 1945—January 12, 1949.

Decree concerning the plenary commission and administrative council of the National Bank of Agricultural Credit—March 12, 1949.

Law modifying Article 94 of the decree law of December 9, 1948, on the taxation of agricultural incomes (agricultural production and marketing cooperatives)—July 31, 1949.

Law authorizing cooperatives for retail trade and organizing their statutes—August 2, 1949.

Decree providing the conditions for the election of the delegates of the regional banks to the plenary commission of the National Bank of Agricultural Credit—October 12, 1949.

Law modifying Article 55 of the ordinance of October 12, 1945—January 4, 1950.

Decree modifying the provisions of the decree of March 19, 1921, concerning the documents to be submitted to the National Bank of Agricultural Credit for auditing and loan-granting purposes—April 18, 1950.

Decree relating to the documents to be submitted by collectivities for the granting of loans by the National Bank of Agricultural Credit to facilitate rural electrification according to the law of August 2, 1923—December 6, 1950.

Law modifying Article 55 of the ordinance of October 12, 1945—December 31, 1950.

Decree concerning the application of the law of August 5, 1920, to mutual credit and agricultural cooperation—February 9, 1951.

Law amending Articles 108, 145, 153, and 172 of the codifying decree of April 29, 1940, concerning the legal and fiscal status of mutual credit and agricultural cooperation—May 24, 1951.

Law modifying Article 12 of the law of May 7, 1917, concerning the minimum and maximum value of shares for consumer cooperatives—March 25, 1952.

Law modifying Article 29 of the ordinance of October 12, 1945—April 18, 1952.

Decree modifying the decree of February 9, 1951, concerning the application of the law of August 5, 1920, relating to mutual credit and agricultural cooperation—July 18, 1952.

Law modifying Articles 22 and 23 of the law of September 10, 1947, on the statutes of cooperatives—December 11, 1952.

GERMANY

GERMANY is also a classical birthplace of the cooperative movement. The consumers' cooperatives started in England, the first historical sign recognized by the opening of the tiny store of the Rochdale Pioneers at Toad Lane in 1844. The German Pioneers organized their first cooperative enterprises in 1848.

Raiffeisen's credit societies were primarily for the benefit of rural and agricultural people. His example impressed all agricultural countries in Europe. Later on, the Raiffeisen-type cooperatives spread all over the world. The Schulze-Delitzsch-type cooperatives operated for the most part in urban districts.

The legal status of cooperatives was defined in Germany considerably later than in England. This was first done by a law of March 27, 1867, and applied only to Prussia. Later, in May, 1871, it was also adopted by the confederated German Empire. The growing importance of cooperative organizations required a special law regulating in detail their business activities, since they differed from private corporations or individual firms.

The general law of cooperation was enacted on May 1, 1889, and still provides the basis for the legal status of cooperatives in Germany although amended several times. The most important amendments were passed on the following dates: in 1922 (July 1); 1923 (May 12); 1926 (January 19); 1929 (December 16); 1930 (March 25); 1933 (May 18, July 20, and December 20); and 1934 (October 30). During the Hitler regime several orders and decrees changed certain articles of the cooperative law that remain valid (August 7, 1941, December 19, 1942, and April 13, 1943). These were reapproved by Article 6 of a special law, dated April 18, 1950, issued by the German Federal Council (*Bundesrat*) at Bonn. One of the most important amendments (October 30, 1934), introducing compulsory membership of cooperatives in auditing unions, was enacted under the Hitler government. However, it is not a significant "dictatorial" order but was the result of the experience gained during the economic depression, 1930-32, and attempted to further the economic stability of genuine cooperatives.

In the historical progress of the German cooperative legislation there is a significant period of ten years (1935-1945)

when the totalitarian Hitler government issued several orders relating to cooperatives. The structure of the agricultural cooperative associations was changed very little. However, the consumers' societies underwent a severe reconstruction and finally were completely dissolved. Their investments and assets were taken over by the German Labor Front (D.A.F.) by a special order dated February 18, 1941.

After the occupation of Germany, the Allied Military Authorities paid special attention to the restoration of the legal status of voluntary cooperative institutions. This emphasized the acknowledgment of this democratic type of organization in a free economic order.

In the three zones of Western Germany, the Allied Military Governments issued orders in the interest of the reorganization of consumers' cooperatives. On July 31, 1946, Decree Number 39 annulled most of the important laws of the Hitler regime (May 21, 1935; February 18, 1941) directed against the consumers' societies. The consumers' cooperatives have been put again into the place of the former German Labor Front (D.A.F.).

The cooperative policy of the Military Government in the American and British Zones was clearly stressed in their special instruction to cooperative unions on March 16, 1948. The appendix to this instruction expressly pointed out the intention of the Military Government to promote the development of cooperative societies that conform to the following democratic principles:

1. Membership must be voluntary without discriminatory limitations;

2. The policy of the society and the election of officers must be carried out by democratic methods. Therefore the "one man one vote" principle, the secret ballot, the responsibility of the officers for their business actions, etc. are required;

3. Patronage refunds of the cooperative business are to be

distributed among the members on the basis of their participation;

4. Only limited interest should be paid on the members' capital shares or on other member investments;

5. Political and religious neutrality in the management;

6. Regular auditing of financial records by authorized auditors.

The Allied Control Commission (Berlin) in April, 1947, by Decree Number 50, guaranteed cooperative organizations some recourse in securing reparations for losses incurred by their virtual dissolution when their properties and assets were taken over by the D.A.F. Claims for reimbursement were considered at the time of redistribution of the properties of the dissolved national socialistic organizations. The Military Government issued on June 27, 1947, Decree Number 58 for the execution of Decree Number 50.

This was also later applied in the French Zone by Order Number 141, dated December 18, 1947, of the Commandant of the French Occupation Authorities. On May 18, 1948, the Military Government, by Order Number 149, set up a special committee, which was authorized to accept and consider claims of consumers' societies.

The single states of Western Germany also passed laws to reorganize cooperative institutions: Hessen on December 16, 1947; Bremen on March 3, 1949; Rheinland-Pfalz on March 30, 1949; Bayern on April 19, 1949; and Württemberg-Baden on June 8, 1949.

The various orders and decrees of the occupying Military Government and of the Economic Council, the laws of the Federal Council of Western Germany, or the legal enactions of the member-states generally do not set up new regulations for cooperative societies. Their main purpose was to restore cooperatives to the former legal status as laid down before the Hitler

regime. Their provisions were based upon the articles in the law of 1889.

The general law of cooperatives of 1889 with its amendments is still the main source of legal regulations concerning cooperative societies. Although some parts of it are inappropriate for current problems, the basic principles are proved and tested by the experiences of more than sixty years. Generally, the cooperative movement in Germany does not feel it necessary to reform the act of 1889 except as regards one important regulation of Article 8, paragraph 4, concerning the prohibition of doing business with nonmembers of consumers' societies. The desire to change this regulation obviously will be fulfilled, since the Government approved a proposal on January 16, 1953, to submit to the Parliament a bill abrogating this restriction. However, no legal action was taken by the Bundestag during the year 1953. Therefore, a new proposal was submitted in December, 1953, to extend the suspension of Article 8, paragraph 4, until the end of 1954. The Bundestag approved this proposal on December 10, 1953, but in a form stating that the suspension was extended until June 30, 1954, with the understanding that the Parliament will be able to act in final legal form at that time concerning this controversial article.

The law of 1889, with its amendments consisting of ten sections with 161 articles, contains the legal provisions for cooperatives. The first article defines the cooperative as a society with unlimited membership for promoting the economic or business interests of the members through mutual undertaking. Article 1 classifies cooperatives according to the following seven types: (1) credit; (2) supply and purchasing; (3) agricultural and industrial marketing; (4) production; (5) consumer; (6) partnership for mutual using of agricultural and industrial equipment; (7) building societies. These may be registered as cooperative organizations.

A cooperative can be organized with either unlimited or limited membership liability (Article 2). At least seven members are required for the formation of a cooperative (Article 3). The articles of incorporation must contain provisions for the name and location of the society; for the purpose of the undertaking; for methods of general meetings; for the liability of members; for the auditing of records; and for the formation of reserve funds (Articles 5-8).

When the mentioned bill concerning the abolition of Article 8, paragraph 4, is promulgated, the following description of the important regulation concerning the selling to nonmembers will be only a historical comment on this subject that has been for more than sixty years an ardent problem of the consumers' cooperatives in Germany.

The fourth paragraph of Article 8 provides for the disputed regulation on the prohibition of consumers' societies to sell goods to nonmembers. Since its enactment consumers' societies have constantly attacked this cardinal yet controversial prohibition. This rigid prohibition was expressly underlined in Article 151, which provided for special fines and punishments (1) for cooperative employees selling to nonmembers; (2) for members permitting their membership cards to be used by nonmembers for buying in cooperative stores; and even (3) for the misuse by nonmembers of such membership cards.

A historical review indicates the first cooperative law of 1868 in the North German Federation did not contain such a strict limitation. At the founding of the united German Empire in 1871, the Parliament (*Reichstag*) declared that the legal status of cooperative societies will not be affected even if the bylaws (statutes) of the societies permit expansion of their business activities to nonmembers as well as to members.

Even the original draft of the law of 1889 did not contain such a "discriminating" limitation as was included at the third

reading of the law. Its inclusion was contrary to the intention of the Government.

During the reconstruction period of the consumers' cooperatives in postwar Germany, Article 8, paragraph 4, was suspended until January 1, 1952, by the amendment of October 3, 1947, of the Economic Council for the joint American British Zones. This was also later put into force in the French Zone. By this suspension, the action of the Economic Council did not make any final decision on the problematic question: "to sell to nonmembers or not." The legal provision simply acknowledged the fact that the reorganized consumers' cooperatives would be unable to rebuild their former economic undertakings if their business activities were limited only to members. The consumers' societies had approximately 2.3 million members in 1933, but cooperatives in the present territory of Western Germany lost virtually all their members by the forced dissolution of their organizations during the Hitler regime. The period since 1945 was too short to regain the former members or to acquire new ones. Even the four-year period given by this suspension order in October, 1947, was not sufficient to rebuild and restore the immense loss in membership through the destruction of economic institutions by the war.

On December 13, 1951, the Parliament (*Bundestag*) of Western Germany approved the prolongation of the suspension period for an additional two years ending January 1, 1954. This legal action was a compromise in the place of the original cooperative demand for a five-year extension period. Even the Government proposed an extension of three years. The Parliament, however, accepted an additional resolution by which the Government was ordered to submit a new draft to the Parliament not later than December 31, 1952. The suspension period —as mentioned before—has been extended to June 30, 1954. This new draft—already approved by the Government—was to contain provisions for the most important questions relating

to the general problem of Article 8, paragraph 4 (dividend on purchase, price discounts).

This approved prolongation period represents only a temporary solution to the problem of selling to nonmembers. The general position of the consumers' cooperatives, however, still demands the eventual abolition of this legal restriction. They wish to protect their individual autonomy, to decide voluntarily and independently whether or not they want to expand their business activities to nonmembers. The cooperatives do not intend to aggressively promote business with nonmembers. However, they resent such an absolutist use of legislative power in restricting the rights of members and of their societies.

Section II provides for the general regulations concerning the rights of cooperatives and cooperators. These are laid down in detail by their own statutes.

Article 24 sets up the board of directors for the official and legal representation and management of the society. Board members are to be elected at the general meeting. Their official duties are provided for in Articles 24-32. The accounting system and the legal provisions for the annual audit are given in Article 33 as changed and amended by the order of May 30, 1933.

The annual balance sheets should conform to the general regulations of the Commercial Code (Volume I, Chapter IV). They must be clear and understandable so that the interested people (members) may always get a correct insight into the financial and business status of the society. Article 33, d-f, gives a comprehensive analysis of the balance sheets, enumerating the most important items of the "assets" and "liabilities." They also provide for a "statement of operation" (incomes and disbursements) showing the undivided net margin (profit surplus or loss) of the current business year, separate from net margins of previous years. Credit cooperatives will use a special form for their annual balance sheets as provided in the regulations of the orders of July 7, 1937 (Article 5) and of October

18, 1939. The auditing of cooperative societies and the correct form of balance sheets were also included in Chapter III of the act for the German Cooperative Central Bank (*Deutsche Zentralgenossenschaftskasse*) dated October 21, 1932.

The members of the supervisory board (*Aufsichtsrat*) will also be elected at the general meeting. Their number is to be at least three, but may be more if provided by the statutes of the society. The supervisors can't receive any special remuneration from the surplus (*tantieme*). The most important representative body of the cooperative society is the general meeting (Articles 43-52) consisting of all members. Each member has one vote. Cooperatives having more than 3,000 members must set up a delegate meeting instead of the general one. The election of delegates, their numbers, and their tenure are regulated by the statutes. Cooperatives with more than 1,500 members may also have a delegate meeting, if the statutes so provide.

The auditing of cooperatives is regulated by the articles of Section IV. Membership in an auditing union is *compulsory* for cooperatives (amendment to law of October 30, 1934). Such an auditing must be accomplished at least every second year. However, cooperatives having a final balance over a prescribed amount must be audited at least every year. The auditing of the societies will be done by auditing unions that have auditors trained in cooperative business and bookkeeping (Article 55). The union will submit a report of the audit to the board of directors and also notify the chairman of the supervisory board of its completion. The report will be discussed at a joint meeting of the directors and supervisors. It also must be presented to the general meeting. According to Article 63, the auditing unions must have the legal authorization from the Government for performing such actions (last order: December 13, 1949). (The newly established institution of the cooperative public auditors by the law of July 17, 1952, will be described in detail in the latter part of this chapter.)

A member can withdraw from the society at the end of the business year. He must, however, give written notification to the management concerning his intentions to withdraw at least three months before the end of the year. The general regulations are contained in Section V (Articles 65-77). Sections VI (Articles 78-97) and VII (Articles 98-118) provide the legal regulations for dissolving a society and for bankruptcy proceedings. The general meeting can voluntarily decide to dissolve the society at any time if approved by a three-fourths majority of the members present.

Sections VIII (Articles 119-145) and X (Articles 115-161) provide the special and final decisions concerning membership liability and the registration of cooperatives.

Section IX (Articles 146-154) is a specific part not generally adopted in cooperative acts of other countries. This provides for jail and prison sentences or fines for directors, supervisors, or even members who should commit any violation of the act. However, with the expected final abolition of Article 8, paragraph 4, the strict penal provisions of Articles 152 and 153 will also be abrogated.

The general cooperative law of 1889, as amended several times, still contains some regulations that are not clear and even obsolete. These are, however, not influencing the legal progress of present German cooperation. Before World War II the Ministry of Justice worked out in detail a complete reform of the general cooperative law with the aid of several legal experts from cooperative unions and universities. The first draft proposed in 1939 was never discussed or put into final form. However, many are still of the opinion that this prepared draft will provide the best starting point for a complete reform of the German cooperative law, after the heavy overload of legislation decreases and the most important political problem, the reunion of Western and Eastern Germany, is solved.

A series of special orders and decrees regulated the business activities of consumer societies during the Hitler regime. They are without exception now abolished. It is significant, however, to see how a totalitarian form of government considered the legal position of consumer cooperatives until they were dissolved by force. The order of May 21, 1935, is called "Law of the Reichs government authorizing the Minister of Finance to *support* the dissolution of consumer societies." This dissolution could be carried out by joint resolution of the board of directors and supervisors, if approved at an extraordinary general meeting by at least half of the members present. One tenth of the members could require such an extraordinary meeting for which one week was sufficient notice for calling. Not less than ten executive orders were issued between October 31, 1935, and July 10, 1937, for the execution of this forced law.

The final attack on consumer cooperatives was legally established by the order of February 18, 1941, when the Nazi government, pointing out the best interest of the war economy, dissolved all the consumer societies still active after the first legal prohibition enacted in 1935. This order, along with its six executive decrees dating between February 18, 1941, and March 18, 1943, was also abolished on July 31, 1946, by Decree Number 39 of the Military Government.

The other legal limitations enacted between 1933 and 1935 were also annulled at that time. Among these orders were the following: the law of May 12, 1933, with five amendments and four executive orders concerning the "protection of retail trade," which prohibited the opening of new stores even for cooperative societies; the law of price discounts (rebate law) with three execution orders, which limited patronage refunds paid to members to 3 per cent; the order concerning the prohibition of intrastore industrial workshops (July 11, 1933); and the law limiting the use of automatic goods dispensers

(July 6, 1934). The latter two orders do not have any important applications for cooperative business activities.

The important legal problem of cooperatives, taxation of patronage refunds (dividends on purchase), was regulated by the decree of December 8, 1939, and clearly interpreted how the general corporation tax law (dated October 16, 1934, and amended August 27, 1936) should be applied to industrial and economic cooperatives. Article 5, paragraph 1, provides a deduction from the taxable surplus in accordance with the business volume done with members. The recent regulation of 1949 (Article 36 KSt.DV.49) also emphasizes the relation of the taxfree patronage refunds or dividends on purchases to the total business volume in cases where the business is done with members.

Articles 2-4 of the decree dated December 8, 1939, granted special tax exemptions or reductions for certain agricultural, industrial, and credit cooperatives. These were extended to the same-type societies by Articles 33-35 of the decree dated July 4, 1949, retroactive to June 21, 1948. Concerning the property tax, the earlier laws (May 22, 1931; October 16, 1934) did not grant any exemptions to cooperatives. However, the new law of November 22, 1939 (Article 15), which is in force at the present time, distinguishes between three groups of cooperatives with respect to their property tax status. Certain cooperatives are wholly exempt from paying property tax. A second group enjoys certain reductions, and a third must pay property tax like any private corporation.

There is also a special institute established for providing cooperative associations with credit facilities. The first central institute for the provision of cooperative credit was organized according to a law in Prussia. This is the so-called *Preussenkasse* set up by the law of July 31, 1895, and amended by an order dated May 7, 1924. Its activity was expanded to the other states of the German Empire in 1932, when the former cooper-

ative Bank of Prussia was reorganized into a new form, the German Cooperative Central Bank (*Deutschlandkasse*).

The activity of the Cooperative Central Bank was increased by the restoration of the cooperative institutions in Western Germany. The law of May 11, 1949, established the new "German Cooperative Bank" (*Deutsche Genossenschaftskasse*) for the promotion of cooperation and particularly for the furtherance of cooperative personal credit (Article 1). The internal organization of the Cooperative Central Bank is provided for by its own rules. The domicile of the Bank is in Frankfurt a/M. It has no local branches according to Article 1, paragraph 2. The Allied Control Committee vetoed the general activity laid down in the law and limited its business field to the support of agricultural cooperatives with credit facilities. Later, this restriction was removed by the law of December 19, 1950. According to this law, the Cooperative Credit Bank provides short- and middle-term credit facilities for the promotion of: (1) production and marketing of agricultural and industrial goods; (2) cooperative organizations for supplying agricultural and industrial undertakings; (3) cooperative housing; (4) cooperative enterprise of consumers; (5) cooperative transportation.

The Federative Union (*Bund*) participates in the operation with the capital stock subscription of one million deutsche marks. However, the capital participation of the Union and of its individual states cannot exceed 50 per cent of the total stock of the Cooperative Central Bank. The present financial status of the Bank is still modest in comparison with the capital stock of the former *Deutschlandkasse,* which owned capital stock in excess of 100 million Reichs marks. At that time the financial participation of the Empire and Prussia amounted to 42.5 million.

Since the new law again extended the credit facilities of the Cooperative Central Bank to consumer cooperative enterprise, the interest of such consumer societies will be represented in

the board of management by one delegate. However, the main task of the Cooperative Central Bank still remains to assist the agricultural cooperatives with credit.

The registration of cooperative associations, which was originally regulated in the years 1889 and 1898, is provided by the special order of November 22, 1923, as amended by the order of February 19, 1934. The Court of Registration must examine the rules and statutes (articles of incorporation and bylaws) of the societies at the time of registration in order to determine whether they conform to the legal regulations of the cooperative law. The registry files must be preserved up to thirty years after the dissolution or amalgamation of a society. A list of cooperators (membership list) has to be added to the registration, and the list must be kept current. This list can be inspected by anyone and is a public document. Membership withdrawals are also officially registered on this list.

A new law, dated July 17, 1952, finally regulated the qualification for the cooperative public auditor (*Genossenschaftlicher Wirtschaftsprüfer*). Previously, the October 30, 1934 amendment to the general law of cooperation mentioned first "expressis verbis" the definition of the "auditor for cooperation." However, to establish a final and legal status for this newly created institution of cooperative auditors, further executive orders and amendments were required. The order of July 7, 1936, gave the regulations concerning the public auditors for cooperative societies. This order was not officially abrogated after the end of World War II as were the other laws and orders of the Hitler regime. However, it was not in practice, since the circumstances and the situation of the cooperatives, to which the activities of the cooperative auditors were related, changed at that time.

The establishing of the institution of cooperative auditors required several legal reorganizations and amendments after 1946. It was also necessary to define the relationship between

the functions of the new-type cooperative auditors and of the general economic auditors.

The new law, accepted by the West German Bundestag on May 29, 1952, regulated the status of the cooperative auditors on the level of the states constituting the West German Bund. The cooperative auditors must pass an examination before a state commission, which has to fill its ranks with cooperative representatives. The candidate must be a college graduate and have six years of practical training. At least three years training must be in the field of auditing, of which two years should be spent in cooperative auditing. The examination contains all the various subjects similar to the examination for the general economic auditors, with, however, special regard for the basic elements of cooperative organizations. Generally, the candidates have to give proof of their thorough knowledge on the following subjects: (1) industrial and business management and financing; (2) bookkeeping and techniques of the balance sheets, duties and rights of the public auditors; (3) management accounting, self-cost calculation, and statistics; (4) attending of poorly managed undertakings; (5) taxation; and (6) civil and commercial laws.

There are certain facilities for candidates with at least two years of war service, for disabled veterans, and also for persons who suffered political persecutions during the Hitler regime.

The legal establishment of the institution of cooperative public auditors has been laid down by this law. However, it will require considerable time before the cooperative auditing unions will have a sufficient number of auditors, qualified according to the regulations of the law for cooperative public auditors.

Since under present conditions Germany is virtually divided into a Western and Eastern part, the actual legal status of cooperatives is regulated in two different ways. The cooperative organizations of Western Germany follow the gradual development of the prenational socialistic years. The legal restrictions

of the Hitler regime completely stopped the democratic activity of consumer societies, and agricultural cooperatives were put under particular state control. The new laws in the Western German Republic and the orders issued by the military authorities during 1945-1949 intended to restore the former legal status of democratic cooperation and maintain the legal principles as provided by the cooperative law of 1889. Since all legislative power exercised and controlled by the allied occupational authorities was gradually returned to the German legislature after 1950, the legal development of cooperatives in Western Germany now depends on their own initiative and on the necessity to improve their status and regulate their business activities.

It is remarkable that some of the member states of postwar Germany, Baden (1947), Bremen (1947), Hessen (1946), Nordrhein-Westfalen (1950), and others, enacted in their new constitutions certain general provisions concerning the "assistance of the cooperative self-help" or "the furtherance of cooperative enterprise." Even more than that is included in the constitution act of Bavaria, dated December 2, 1946, which provides, in Article 35, paragraph 6, that five of the sixty Senate members will represent the cooperative organizations and be elected by the regional unions. This type of political furtherance of cooperation was included in various constitutions of totalitarian states; for example, in fascist Italy, Franco Spain, or Slovakia (1939), and it is also emphasized in nearly all of the people's democracies built on a communistic pattern.

The extreme frontier point of West Germany, the Berlin district, has also a new law concerning the legal status of industrial and economic cooperatives issued on January 9, 1951. This is not a new regulation of cooperative business, but illustrates the complicated problems resulting from the three-zone occupation in the former capital of the German Empire. It confines business activity to the districts of West Berlin and Charlotten-

burg. Important regulations also provide for the participation of members living outside of the western sector, particularly with respect to the management (board of directors) and membership meetings. The law is basically an emergency regulation, and therefore it does not introduce any legal provisions for cooperatives.

The system applied in the Eastern Zone is entirely different from the West German cooperative legislation. There the reorganized cooperatives started their activity under firm state political control. The constitution of the (Eastern) German Democratic Republic (Article 20.I.), enacted on July 10, 1949, also points out the importance of the "promotion of cooperative self-help."

This chapter, however, only includes the present cooperative legislation of the West German Republic.

Prussia. Law relating to the civil rights of industrial cooperative societies —March 27, 1867.

North German Confederation. Law relating to the civil rights of industrial and economic cooperative societies—July 15, 1868.

Bavaria. Cooperative law—February 11, 1870.

Baden. Cooperative law—February 11, 1870.

German Reich. Law relating to the declaration of Section 1 of the law of July 4, 1868—May, 1871.

*Imperial law relating to industrial and economic cooperative societies —May 1, 1889.

Decree for carrying out the provisions concerning the Cooperative Register and for the addition of necessary particulars—July 11, 1889.

Orders for carrying out the Cooperative Register of 1889-90 in the twenty-five individual states.

Prussia. Law relating to the establishment of a central institute for the provision of cooperative personal credit—July 31, 1895.

General decree concerning the compilation of statistics of industrial societies—May, 1896.

Law relating to the raising of state contributions—June 8, 1896 (also April 26, 1898, July 13, 1909, September 5, 1918, and February, 1922).

Laws relating to the erection of agricultural warehouses—December 3, 1896, and June 8, 1897.

German Reich. Law relating to the business of consumers' institutions—August 12, 1896.

Introductory law to the books of commercial law (Article 10)—May 10, 1897.

Re-enactment of the law of 1889, by notice of the Imperial Chancellor —May 20, 1898.

Notice relating to the carrying out of the Cooperative Register and the conditions of this register—May 20, 1898.

Saxony. Order of the Minister of the Interior concerning new statutes of the Cooperative Estate Credit Union of the Kingdom of Saxony —February 17, 1911.

Bavaria. Order relating to agricultural professional cooperative associations (insurance)—November 30, 1912.

Hamburg. Order relating to the statutes of the Hamburg Agricultural Professional Cooperative Association—December 27, 1912.

Hesse. Law opening a credit to the Central Agricultural Cooperative Bank—January 10, 1914.

German Reich. Law concerning loan banks—August 4, 1914.

Order concerning Sections 99, 118, 142, and 148 of the law on industrial and economic cooperative societies—August 8, 1914.

Order concerning the revision of registered cooperative societies—September 8, 1914.

Order relating to the civil rights of cooperative societies with regard to the improvement of the soil—October 28, 1914.

Order relating to the representation of members at the general meeting of an industrial society and to the withdrawal of members—December 17, 1914.

Ratzeburg. Order relating to the first supplement to the statutes of the Agricultural Professional Cooperative Association of Mecklenburg Strelitz—May 30, 1916.

German Reich. Order relating to the commercial supervision of bankruptcy—December 14, 1916.

Order relating to the competency of the Union of German Agriculturists, Ltd.—May 21, 1920.

Prussia. Law on the constitution of cooperative societies for the improvement of the soil—May 5, 1920.

German Reich. Order on the dissolution of registered cooperative societies—May 25, 1920 (amended, 1924).

Law amending the cooperative law—July 1, 1922.

Order for the execution of Section 43 of the cooperative law—October 24, 1922.

Bavaria. Order concerning the rules of livestock insurance societies—May 8, 1923.

German Reich. Law amending the cooperative law—May 12, 1923.

Second administrative decree relating to the Revenue Bank—December 17, 1923.

Order containing the new text of the ordinance concerning the register of cooperative societies—November 22, 1923.

Second ordinance dealing with the register of cooperative societies—November 22, 1923.
Ordinance prolonging the period allowed for the audit—December 27, 1923.
Ordinance for simplifying procedure in agricultural accidents insurance—January 17, 1924.
Ordinance relating to sickness insurance—1924.
Ordinance containing the new wording of the ordinance concerning national insurance—December 15, 1924.
Second ordinance dealing with gold balances—March 25, 1924.
Ordinance for the limitation of advertisements—February 14, 1924.
Prussia. Ordinance relating to the committee of the Prussian Central Cooperative Bank—May 7, 1924.
German Reich. Law to amend the law on cooperative societies—1926.
Law modifying and completing the law on cooperative societies—December 16, 1929.
Emergency decree taxing the turnover of cooperative societies—January 1, 1930.
Law amending the cooperative law—March 3, 1930.
Emergency decree granting relief loans to industrial credit and consumer cooperative societies—September 4 and 5, 1932.
Decree of the Reich's President concerning the German Control Cooperative Bank and auditing of cooperatives—October 21, 1932.
Order facilitating the balance accounts for registered cooperative societies—May 4, 1933.
Law for protecting retail trade—May 12, 1933.
Executive Order regarding the law for protecting retail trade—May 12, 1933.
Law to amend the law on cooperative societies—May 18, 1933.
Order for the balance accounting of cooperative societies—May 30, 1933.
Order for the closing of workshops within department stores—July 11, 1933.
Law to amend the law for protecting retail trade—July 15, 1933.
Law to amend the law on cooperative societies—July 20, 1933.
Law to amend the law for protecting retail trade—October 25, 1933.
Law relating to price discounts (rebate law)—November 25, 1933.
Order for the execution of the law for protecting retail trade—November 28, 1933.
Law to amend the law on cooperative societies—December 20, 1933.
Order for modification of the order relating to the registration of cooperative societies—February 19, 1934.
Executive Order regarding the law relating to price discounts—February 21, 1934.
Order modifying the order facilitating the balance account for registered cooperative societies—May 15, 1934.
Law to amend the law for protecting retail trade—June 27, 1934.

Law relating to selling goods through automats—July 6, 1934.
Executive Order regarding the law for protecting retail trade—July 23, 1934.
Executive Order regarding the law for selling goods through automats—August 14, 1934.
Law concerning the dissolution and expiration of societies and cooperative associations—October 9, 1934.
Law to amend the law on cooperative societies—October 30, 1934.
Order for putting into execution the law amending the law on cooperative societies, dated October 30, 1934—December 4, 1934.
Law concerning credit matters—December 5, 1934.
Law modifying the law for protecting retail trade—December 13, 1934.
Second order for the execution of the order relating to price discounts (rebate act)—February 19, 1935.
Compromise order (Article 128 contains changes relating to the amendment law on cooperative societies, dated March 25, 1930)—February 26, 1935.
Law modifying the law for protecting retail trade—May 9, 1935.
Law relating to consumer cooperatives—May 21, 1935.
Second order modifying the order facilitating balance accounts for registered cooperative societies—May 21, 1935.
Order for evaluating the assets of cooperatives as of January 1, 1935—July 5, 1935.
First executive order of the law relating to consumer cooperatives—October 31, 1935.
Second executive order of the law relating to consumer cooperatives—December 31, 1935.
Third executive order of the law relating to consumer cooperatives—December 31, 1935.
Order modifying the first executive order relating to the law on consumer cooperatives—March 26, 1936.
Fourth executive order of the law relating to consumer cooperatives—May 26, 1936.
Second order modifying the first executive order relating to the law on consumer cooperatives—June 17, 1936.
Order concerning public auditors for cooperative societies—July 7, 1936.
Fifth executive order of the law relating to consumer cooperatives—October 15, 1936.
Third order modifying the first executive order relating to the law on consumer cooperatives—December 12, 1936.
Fourth order modifying the first executive order relating to the law on consumer cooperatives—June 11, 1937.
Order for auditing balance sheets of credit institutions (Articles 5 and 6 concerning registered credit cooperatives)—July 7, 1937.
Sixth executive order of the law relating to the consumer cooperatives —July 10, 1937.

Third order for modifying the order facilitating the balance accounts for registered cooperative societies—July 14, 1937.

Third executive order regarding the order relating to price discounts (rebate law)—July 29, 1938.

Order for the removal of surplus personnel engaged in retail trade—March 16, 1939.

Order concerning regulations of the legal status of commercial and cooperative societies—September 4, 1939.

Order concerning the corporation tax of cooperative societies (KHGVO)—December 8, 1939.

The basic laws for taxation of corporations, also apply to cooperative societies:

Law for corporation tax—October 16, 1934.

With the amendment law of August 27, 1936.

First executive order for the execution of the law for corporation tax—February 6, 1935.

Law for increasing the corporation tax for the period of 1938 to 1940—July 25, 1938.

Second order concerning further regulations of the legal status of commercial and cooperative societies—January 7, 1941.

Order concerning the adaptation of consumer cooperatives to the war-economic conditions—February 18, 1941.

First regulation for the execution of the order concerning the adaptation of consumer cooperatives to the war-economic conditions—February 18, 1941.

Second regulation for the execution of the order concerning the adaptation of consumer cooperatives to the war-economic conditions—July 24, 1941.

Order concerning regulations in the field of cooperative law—August 7, 1941.

Third regulation for the execution of the order concerning the adaptation of consumer cooperatives to war-economic conditions—August 26, 1942.

Fourth regulation for the execution of the order concerning the adaptation of consumer cooperatives to the war-economic conditions—August 26, 1942.

Second order concerning regulations in the field of cooperative law—December 19, 1942.

Fifth regulation for the execution of the order concerning the adaptation of consumer cooperatives to the war-economic conditions (related to the cooperatives of the annexed Austrian territory)—December 22, 1942.

Sixth regulation for the execution of the order concerning the adaptation of consumer cooperatives to the war-economic conditions—March 18, 1943.

Third order concerning regulations in the field of cooperative law—April 13, 1943.

Order concerning the limitation of membership meetings—April 19, 1943.

Second order concerning the limitation of membership meetings—December 23, 1943.

Order concerning the withdrawal of members from cooperative societies —December 28, 1944.

Order concerning the simplification of management of personnel societies (Part IV, Articles 22-26 relating to registered cooperatives)—January 8, 1945.

Order Number 39: Consumer societies—July 31, 1946.

Directive Number 50 of the Allied Control Commission (Conditional release of confiscated properties)—April 29, 1947.

Law Number 50 for the execution of the Directive Number 50—June 29, 1947.

Modification of the law on cooperative societies (Article 8, paragraph 4)—October 3, 1947.

Order Number 141 respecting the redistribution of properties formerly belonging to national socialistic, military, and other similar organizations (French Zone)—December 18, 1947.

Instruction for cooperative unions in the British and American Zones, Bipartite Control-Office-Secretariat (BICO-Sec. (48) 172)—March 16, 1948.

Order Number 149. Examination committee for investigating claims of consumer cooperatives—May 18, 1948.

Law on cooperative societies (amendment law to the law on cooperative societies, Article 63)—August 23, 1948.

Law concerning the German Cooperative Bank—May 11, 1949.

Law for the removal of restrictions in the field of commercial law, cooperative law, and draft and check law (law for the purification of commercial laws, enacted by the West German Parliament: "Bundestag")—April 18, 1950.

Modification to the law of May 11, 1949, concerning the German Cooperative Bank—December 19, 1950.

Law concerning the legal status of industrial and economic cooperatives with domicile in Berlin—January 9, 1951.

Law concerning the cooperative public auditors—July 17, 1952.

Laws by single states in the West German Republic concerning the restoration of consumer cooperatives:

Hessen: December 16, 1947.

Bremen: March 3, 1949.

Rheinland-Pfalz: March 30, 1949.

Bayern: April 19, 1949.

Württemberg-Baden: June 8, 1949.

GREAT BRITAIN

THE historical development of cooperative legislation in Great Britain followed closely the progressive way of the cooperative movement. The industrial revolution formed the historical background of several attempts aimed at changing the economic and social conditions of workers and other employed people. The newborn capitalism in its early phases brought through its selfish, even rough and savage, methods unemployment, increasing poverty, and declining wages.

The great misery and growing distress during the eighteenth century created serious problems for the Parliament. The several "Poor Acts," however, did not solve the basic problems of these economic conditions. Even the next step of the affected people in uniting in certain kinds of self-help organizations was a modest aid. Self-help associations were legalized during the final decade of the eighteenth century when the bloody wave of the French Revolution reached its highest peak on the continent. The act for "encouragement and relief of Friendly Societies" (1793) assured the interested people the right to establish voluntary associations for the mutual help and benefit of their members during hard times of sickness, unemployment, and other need. These societies did not change the general economic conditions. Their purpose was to bring aid in emergency cases, and their number grew rapidly. In 1800, when the total population of the United Kingdom was estimated at nine million, the societies increased to 7,200 with a membership of 600,000. Although they were very popular, the scope of their activity was limited to common charity actions.

The beginning of the nineteenth century was filled with energetic pressure and desire to change the economic and social backwardness of the employed classes. The first primitive cooperatives or mutual trading societies were organized at various places of England. They quickly failed, however, because of

lack of needed capital and unsound business methods, although Robert Owen, William King, and others fought in speeches and publications for "cooperation."

The first cooperatives were legally put in the same category as the Friendly Societies. Since the amendment to the Friendly Societies Act of 1834 permitted formation of societies for certain purposes "or for any other purpose which is not illegal," the mutual trading societies (cooperatives) were registered under this act. The first successful cooperative store of the Rochdale Pioneers also started its business activity under the legal provisions of the Friendly Societies. Even their first rules followed the model of a pure Friendly Society from Manchester.

This uniformity created several limitations for the first cooperatives. They could not buy land, trade with nonmembers, or make investments, except in government securities. The doubt as to the status of cooperatives was finally cleared up by the amendment act of 1846. This contained the first legal definition of cooperative—mutual trading—societies and included the important "frugal investment clause." According to this clause, "A Society might be established for the frugal investment of the savings of members for better enabling them to purchase food, firing, clothes, and other necessaries, or the tools or implements of their trade or calling, and to provide for the education of their children . . . ." In the years from 1846 to 1852, all newly organized cooperative societies were registered under the Friendly Societies Act of 1846. The Rochdale Pioneers also amended their rules in accordance with the new act because this included under the "frugal investments" the financing of educational activities, which was not legalized by the Friendly Societies Act of 1834.

The economic importance of cooperative enterprise was steadily growing. After the slow progress of the first five years, the membership of the Rochdale Society increased by 1850 from the original 28 to 600, and the sales from £710 to

£13,180. With this growth arose also the general demand for a specialized cooperative law. It was eminently important to enact a special law for cooperatives; particularly for the organization of the workingmen's associations (productive cooperatives) for which the ban on selling their products to non-members virtually closed the way for any expansion.

Robert A. Slaney, a Member of Parliament, undertook the first step in 1850, at the insistence of Thomas Hughes and John M. F. Ludlow, to induce the House of Commons to appoint a committee to inquire into middle- and working-class investments. The political debates during 1851 prevented the formal introduction of a bill. Even the Liberal Party was unsympathetic towards the bill, and several deputations failed to move the Government. In reality, however, it was the time factor that prevented putting this first cooperative act on the statute book under this Government. When the Conservative Party succeeded the Liberals in the Government, the first cooperative act of Great Britain and of the world was accepted without special public interest by the Parliament on March 19, 1852, and assented to on June 30 in the same year. The first "Industrial and Provident Societies Act" brought small but important changes. The cooperative societies retained the privileges given them by the previous Friendly Societies Acts, while the producers' cooperatives were legally recognized. Formerly, if they had a membership over twenty-five, they, like other associations, could be registered only under the provisions of the Joint Stock Companies Act of 1844. However, registration under this act incurred certain disadvantages for the association, and was in violation of its cooperative character (*e.g.*, fixed capital divided into transferable shares, high registration fee, etc.). Under the new act societies could be established "for carrying on or exercising in common any labor, trade or handicraft, or several labors, trades, or handicrafts, except the working of mines (beyond the United Kingdom) . . . (and) except the business

of banking." It is very important to note here the introduction of the restriction for the transferability of shares in contrast to the joint-stock company shares. According to this cooperative law, the member either could sell his shares (called "subscriptions" by the act) back to the society or with the consent of the board of management transfer them to a designated person. No member could have capital interest in a society in excess of £100. There were, however, no restrictions on loans to the societies from members at interest rates not over 6 per cent. The interest rates on share capital were limited to 5 per cent. The total of such loans was not to exceed four times the paid-up capital. The dividend on members' subscription was limited to 5 per cent and in any case could not be paid out of the capital. Some of the demands of the cooperative societies were not included in the first act. The limited liability of members and provisions for joint and federal actions of cooperative societies still remained unsolved problems. Also, the educational work of the cooperative societies was not legalized by this act, in spite of the prior provision of the Friendly Societies Act of 1846, which included education among the legal forms of "frugal investments." This lack was corrected only by the consolidating act of 1862, which finally recognized the educational activities that had been a basic Rochdale principle. The act of 1852 was amended in 1854 and 1856.

The second important Industrial and Provident Societies Act in 1862 consolidated and amended the previous provisions. It widened the field of activities of the societies by the provisions "for carrying on of any trade, labour, or handicraft, whether wholesale or retail . . . ." The maximum interest of members was raised to £200. Limited liability was also instituted, but such societies were required to include in their name the word "limited." They were also entitled to hold land and buildings, and the amendment of 1867 included mining among the purposes for which societies could be established. The interest of

a society in another society could exceed the former limitation of £200. The amendment of 1871 defined the power of the societies for holding land and also permitted loans to the members "on the security of real or personal property." By this provision the first possibility for the cooperative societies to enter the banking business was made available. This was, however, legally authorized only five years later in 1876.

In 1874, John M. F. Ludlow was appointed Chief Registrar. Since he had been the initiator of the first act and also active in the drafting of the later amendments and of the consolidating act of 1862, he prepared the first complete and special code of cooperative societies. This third consolidating act finally separated the cooperative societies from the Friendly Societies, although the Registrar remained the same person for both societies. This act included the business of banking among the purposes of societies. Societies, however, which carry on banking business, could not have withdrawable share capital.

The last consolidating act of Industrial and Provident Societies of 1893 repealed all the previous acts relating to such societies. This act, together with the amendments of 1894, 1895, 1913, 1928, and 1952, presents the existing legal provisions for cooperative societies. It did not greatly change the former legal status of cooperatives. The act modified the right of members concerning the inspection of books, granted the power to convert a company to a society and vice versa, and also extended the maximum limits of deposits. After the two small amendments of 1894 and 1895 (relating to the Island of Jersey and to the forum of appeal "if the registrar refuses to register the society, or any rules or amendments of rules"), the amendment act of 1913 brought an important change by permitting the registration of "a society consisting solely of two or more registered societies." In this way, the amendment legalized the federation of registered societies and opened the road for the development of federal societies. The amendment requires the

submission once every year of "the accounts for audit to one or more of the public auditors appointed under the provisions of the principal (1893) act." The societies should send a special return to the Registrar at least once every three years showing the holding of each person in the society (whether in shares or loans). The return must be signed by the auditor(s). A new provision changed the power of the members to nominate an heir to their interest in the society.

The amendment act of 1928, which did not extend to Northern Ireland, declared that a member's liability to contribute to the share or loan capital of the society cannot be increased without his written consent. No registered amendment of the rules made after he becomes a member can require him "to take or subscribe for more shares than the number held by him at the date of registration of the amendment, or to pay upon the shares so held any sum exceeding the amount unpaid upon them at that date."

In 1952, the British Parliament honored the demand of cooperative societies to increase the limit of a member's shares from £200 to £500, fixed by the second Industrial and Provident Societies Act in 1862. This level conforms to the present financial requirements of cooperative societies who are anxious to increase shareholdings in order to meet increased capital cost.

The new amendment came into force on April 27, 1952. Clause I approves £500 as the maximum limit for the members' shareholding. It also enables societies to take advantage of the higher limit without waiting until their rules have been amended and the amendment registered. Clause II increases the maximum payment from 10s to £2, which may be taken at one time from a depositor in a small savings bank, and also increases the maximum holding from £20 to £50.

The principal act of 1893 as amended constitutes the legal status not only for industrial societies but for all types of cooperatives. At least seven members (with a minimum age of sixteen

years) or two or more registered societies (since 1913) may form a registerable society. The society registered under this Industrial and Provident Societies Act, 1893, is authorized "for carrying on any industries, business, or trades specified in or authorized by its rules, whether wholesale or retail, and including dealings of any description with land. Provided that, (a) no member other than a registered society shall have or claim any interest in the shares of the society exceeding 500 pounds (according to the Amendment of 1952), and (b) in regard to the business of banking, the society shall be subject to the provisions hereinafter contained" (Section 4). The registration under this act guarantees societies certain advantages. For instance, they pay lower registration fees than required under other acts. The fee for the "acknowledgement of registry of society" was, after August 1, 1923, £10. This sum, however, might be reducible to not less than £3 depending upon the discretion of the Chief Registrar. The total amount of share capital has not been fixed and may be withdrawable. The name of the society cannot be identical with the name of other existing registered societies or so nearly resembling them as to mislead the public. It must contain as a last word "limited" (Section 5). The Registrar, after determining that the society conforms to the legal provisions, issues an acknowledgement of registry on a prescribed form given in Schedule IV to this act (Section 6).

The Registrar may cancel the registry of a society at any time if the number of the members has been reduced to less than seven; or if an acknowledgement of registry has been obtained by fraud, or mistake; or if the society has ceased to exist (Section 9/1/). Section 10 provides, in general, that the rules of a society contain certain provisions mentioned in the Second Schedule to this act. The following matters must be provided for by the rules of societies registered under the Industrial and Provident Societies Act of 1893:

1. Object, name, and registered office of the society;

2. Terms of admission of the members, including any society or company investing funds in the society under the provisions of this act;

3. Mode of holding meetings, scale, and right of voting, and of making, altering, or rescinding rules;

4. The appointment and removal of a committee of management, by whatever name, of managers or other officers, and their respective powers and remuneration;

5. Determination of the amount of interest, not exceeding two hundred pounds sterling, in the shares of the society that any member other than a registered society may hold;

6. Determination whether the society may contract loans or receive money on deposit subject to the provisions of this act from members or others; and, if so, under what conditions, on what security, and to what limits of amount;

7. Determination whether the shares or any of them shall be transferable; and provisions for the form of transfer and registration of the shares, and for the consent of the committee thereto; determination whether the shares or any of them shall be withdrawable, and provision for the mode of withdrawal and for payment of the balance due thereon on withdrawing from the society;

8. Provision for the audit of accounts and for the appointment of auditors or a public auditor;

9. Determination whether and how members may withdraw from the society, and provision for the claims of the representatives of deceased members, or the trustees of the property of bankrupt members, and for the payment of nominees;

10. Mode of application of profits;

11. Provisions for the custody and use of the seal of the society;

12. Determination whether, and by what authority, and in what manner, any part of the capital may be invested.

Any amendment of the rules shall not be valid until registered. Two copies of the amendments signed by three members and the secretary shall be sent to the Registrar who will issue—if the amendments are not contrary to the provisions of the act —an acknowledgement of the registry. Every person can demand the delivery of a copy of the rules on payment of a sum not exceeding one shilling.

The duties of registered societies are as follows: (1) to have a registered office, to which all communications and notices shall be addressed; (2) the publication of the name by painting or affixing the registered name on the outside of every office or place in which the business is carried on, in letters easily legible, engraven on its seals, mentioned in all notices, advertisements, and other official publications of the society, and in all bills of exchange, endorsements, cheques, etc.; (3) to submit once every year their accounts for audit (as provided by the act of 1913); (4) to send once every year to the Registrar an annual return of the receipts and expenditures, funds, and effects of the audited society signed by the auditor(s); (5) to supply gratuitously, upon request, a copy of the last annual return to every member or person interested in the funds of the society (shareholder, loanholder, and small savings depositor); (6) to always keep a copy of the last balance sheet, together with the report of the auditors, in a conspicuous place in the office (Sections 11-16).

The right of the members to inspect the books was modified and limited to the inspection of their own account and of the books containing the members' names. The Registrar, however, may appoint an accountant to inspect the books on the application of ten members who joined the society not less than twelve months before and who shall deposit the required sum as a security for the costs. The results of such inspection will be communicated to the applicants and to the society.

The conditions of banking by societies are provided for by Section 19 and by the Third Schedule attached to the act. The principal part of such a banking business is to accept deposits from members and nonmembers. Limits on deposits are the same as for other small savings or penny banks. According to the amending act of 1952, a deposit of not more than £2 can be taken in any one payment, and no more than £50 deposit can be held at the same time.

The registration of the society shall render it a body corporate with limited liability (Section 21). The rules shall bind the society and all its members. A member's nomination to an heir, according to the amending act of 1913, is effective only up to the amount of £100.

The act permits the membership of minors, but above the age of sixteen. They enjoy all rights of a member, except that they cannot be members of the committee, trustee, manager, or treasurer of the society (Section 32).

The registered society may hold, purchase, sell, lease, and mortgage any land in its own name. It "may invest any part of its capital in or upon any security authorized by its rules . . ." "in any savings bank (certified under the Trustee Savings Bank Act, 1863) or in a postoffice savings bank" (Sections 38, 39). The rules "may provide for advances of money to members on the security of real or personal property" (Section 40).

One tenth of the complete membership (or 100 in the case of more than 1,000 members) can apply to the Registrar for the appointment of an inspector to examine into and report on the affairs of the society or for calling a special meeting (Section 50). Resolutions must be passed by a majority of not less than three fourths of the voting members (Section 51).

The society may, by special resolutions, change its name. Two or more societies may "become amalgamated together as one society with or without any dissolution or division of the funds . . ." (Sections 52, 53). A society may be converted

into a company or a company may decide upon a conversion into a society (Sections 54, 55).

The society may be dissolved: (1) by an order to windup (as directed by the Companies Acts 1862 to 1890), and (2) by the consent of three fourths of the members (Section 58). Sections 62-70 provide for offenses, penalties, and legal proceedings.

The Treasury issued special regulations, dated January 1, 1894, for the execution of the Industrial and Provident Societies Act, 1893, and also set up the forms on which the application of the societies must be filled out for registry, for amendment of the rules, for canceling the registry, for inspection of books, for application of an inspector, for calling a special meeting, for changing the name, for amalgamation or conversion, and for the cases defined in the sections of the act.

The Industrial Assurance and Friendly Societies Act, 1948, introduced changes relating to the disposal of property of deceased members of industrial and provident societies. Also the definition of "Public Auditors" has been changed to "Approved Auditors." Since these amendments brought only minor changes, the cooperative societies are not required to amend their rules. In case of adaptation of new rules, however, or if the rules will be reprinted, the new amendments according to this act must be included.

As the detailed analyses of the Industrial and Provident Societies Acts show, the legal provisions in general define only the general rules of cooperative societies. Their own rules have to establish—according to the restriction of the acts—the real internal construction and the method of business operation.

The important problem of cooperative taxation was changed by several acts and amendments. The first cooperative societies registered under the Friendly Societies Acts were exempt from taxation on income of government securities (Schedule C), but

they had to pay tax on income from the profits of trade. Even the Rochdale Pioneers paid tax on their trading operations.

The Friendly Societies gained exemption in 1853 for both types of incomes (Schedules C, D), but this extended exemption was not granted to the cooperatives unless the act of 1862 provided for the same exemption. It supposed, however, that no member should hold an interest in the society of more than £500. The private trade bitterly attacked the exemption status of cooperatives. The tax exemption was restricted in 1880 to the profits of trade done only with members. As regards the consumer cooperatives, the business with nonmembers represented a very small proportion. But most of the producers' societies had to pay tax. It is important to notice that the "dividend on purchase" was not considered as a profit and thus taxable income. The Income Tax Act, 1918, while repealing the exemption (Schedules C, D) contained in the Industrial and Provident Societies Act of 1893, simultaneously reproduced the exemption (Section 39(4)), which continued until the Finance Act, 1933, when the exemption was withdrawn. This Finance Act of 1933 (Section 31) increased the tax burden of the societies in a halfway measure by exempting the distributed dividends but making taxable the sums placed to reserves.

As mentioned above, the Industrial and Provident Societies Act is the main legal source for all types of cooperatives. There are, however, several special acts providing for the promotion of certain types of cooperatives. The Agricultural Credits Act in 1923 gave certain privileges to agricultural credit societies. These advances, however, were abolished by the acts of 1928 and 1929 (for Scotland). Also, the Agricultural Marketing Acts, although not cooperative laws, had several effects on cooperative business. The first of these acts was enacted in July, 1931. The most recent enactment of the Marketing Acts was carried out on May 31, 1949, and provides for the re-

establishment of certain prewar marketing schemes and for further extension of producers' control.

Various acts regulated the activity of building societies. The Local Government Act of 1948, relating to the public administration, amended with Section 131 the prior provisions of Section 76 in the 1933 act concerning the cooperators serving on local government bodies.

Act for the encouragement and relief of Friendly Societies—1793 (amended 1795, 1809, 1819, 1829, 1834, 1842, 1846, 1850, 1855, 1860, 1866, 1875, 1876, 1879, 1882, 1883, 1885, 1887, 1894, 1895, 1896).
The Industrial and Provident Societies Act—1852.
Act amending the act of 1852—1854.
Act explaining the act of 1854—1856.
Act consolidating and amending the Industrial and Provident Societies Act—1862.
Act to amend the act of 1862—1867.
Act to explain the act of 1867—1871.
Industrial and Provident Societies Act—1876.
Companies Acts—1862-90.
*Industrial and Provident Societies Act—1893.
Industrial and Provident Societies Act (Jersey)—1894.
Industrial and Provident Societies Act (amendment)—1895.
Health Insurance Act—1911.
*Act to consolidate and amend the Industrial and Provident Societies Acts—1913.
Agricultural Credit Act—1923.
*Industrial and Provident Societies (amendment) Act—March, 1928.
Agricultural Credit Act—1928.
Agricultural Credit (Scotland) Act—1928.
Consolidated Companies Act—1929.
Agricultural Marketing Act—July, 1931.
Housing (Scottish) Act (Section 25)—1935.
Building Societies Act (Chapter 55)—August 4, 1939.
Societies Act (miscellaneous provisions Chapter 19)—April 25, 1940.
The Building Societies Regulations, 1940—August 29, 1940.
Local Government Act (Section 131)—1948 (amending Section 76 of the Local Government Act, 1933).
Housing Act (Section 188)—1936.
Finance act for national defense contribution—1937.
Prevention of Frauds (Investments) Act (Section 10)—1939.
Excess Profits Tax (Number 2) Act—1939.
Profits Tax Act—1947.

Industrial Assurance and Friendly Societies Act—1948.
Agricultural Marketing Act—May 31, 1949.
Income Tax Act (Section 444)—1952.
Excess Profits Levy Act—1952.
*Industrial and Provident Societies (amendment) Act—April 27, 1952.

GREECE

THE general law Number 602 of 1914, with its ninety-five articles, provides the legal status for all types of cooperatives. This basic law, however, was amended and modified several times, among which modifications the decree law dated November 28, 1925, and law Number 5289, dated August 31, 1931, effected the most numerous and important changes. According to this law, the cooperative is a society with nonfixed capital, and the number of its members is undetermined. Such cooperatives may be organized as credit societies or established for the purchase, sale, or consumption of goods, or they may be engaged in production or housebuilding.

Concerning their character, the law distinguishes two types of cooperatives: agricultural and urban. The members of agricultural cooperatives are mainly professional farmers, while the majority of the members of urban cooperatives belong to various, nonagricultural professions. The agricultural cooperatives are under the jurisdiction of the Ministry of Agriculture; the urban societies under the Ministry of National Economy or the Ministry of Labor, according to their purpose.

To establish a cooperative, (1) statutes must be drawn up in writing and contracted by at least seven persons, and (2) these statutes must be approved by the proper ministry. Members of agricultural cooperatives must permanently reside on the territory where their association is functioning, or at least they must own an agricultural lot or farm within the operating area of their cooperative.

Ministerial approval of the statutes will be published in the *Official Gazette* and will contain the name and place of the cooperative, the shareholding of the members, member liability, and the number of the articles in the approved statutes.

From the date of approval, the cooperative is respected as a legal entity. The ministry and the Courts of the Justice of the Peace each year bind the approved statutes and prepare an index to them. Any person may inspect these books and indexes without charge.

The statutes must include the following data:

1. The title of the cooperative;
2. Its headquarters;
3. Its purpose and duration—the latter can be indefinite;
4. The method for admittance (the conditions for admission) and withdrawal of members;
5. How the capital is made up, the share of the members, and the advance payment for the shares, which cannot be less than 10 per cent of the face value;
6. The method of establishing, managing, and representing the cooperative;
7. The liability of the members (if this is limited, the extent of such a responsibility);
8. The setting up and supervision of the balance sheets;
9. How to invest and secure the capital;
10. The method of working out the surplus and loss and how to distribute such profit or loss among the members, if not excluded by the statutes; how to build up reserve capital and how these reserves may be used in case of dissolution;
11. The method of calling membership meetings, majority of votes required for valid decisions, the duties of the chairman, and the method of voting;
12. Method used for distributing official notices of the cooperative;

13. Whether persons not residing in the operating area may be admitted, and whether nonmembers may transact business with the cooperative.

The modification and amendment of the statutes can be effected only by the decision of the general meeting. Also, the decision of the general meeting is required for the continuation of a cooperative beyond its legal limit. However, such decision must be made at least one year prior to the end of that period. To change the purpose of the cooperative, or to increase the share of the members or to extend their liability, a vote of three fourths of the members is required. Modification of the statutes must also be approved by the controlling ministry.

Each ministry supervises the observance of the laws and statutes and also controls the financial administration of the cooperatives under its jurisdiction. Every cooperative must keep a book containing the statutes and recording (1) the name, profession, and residence of the members; and (2) the date of their admission and withdrawal. The book must be validated by the Justice of the Peace (the Judge of the Peace and the Receiver General).

The relation between the cooperative and its members is provided by the statutes. Persons under the age of eighteen years will not be admitted as members. Married women, or persons from eighteen to twenty-one years of age, may become members without permission of their husbands, parents, or guardians, respectively, if they have an economy (economic management) of their own.

The cooperative has to build up a reserve capital by allocating at least 10 per cent of the annual surplus until the reserve capital reaches the total value of the share capital. However, in case of agricultural cooperatives, the statutes may provide that, without paying dividends or returns to the members, the total net profit should be allocated to the reserve fund.

Such a provision is limited to the first two years in the case of urban cooperatives.

The ordinary reserve capital of the agricultural cooperatives cannot be used for business operation but must be deposited either in cash or in government securities in the Agrarian Bank. Interest due on the deposited reserve will be added to increase the reserve capital. The extraordinary reserve capital of the agricultural cooperatives is used for operating. Only in the case of dissolution of the cooperative may it be used for purposes of public interest or distributed among the shareholders as decided by the general meeting.

An application for membership will be considered by the administration within six days of its submittal. In case of refusal, the final decision will be up to the general meeting. By resolution passed in a joint meeting of the board of directors (administrative board) and the supervisory board, a member is expelled who: (1) operates an enterprise, the main purpose of which is similar to the aim of the cooperative, or (2) delays the payment of his contribution for more than six months or of any other debt, for the payment of which execution has been ordered. By resolution of the administrative board, a member is removed from membership who: (1) can no more be a member of the cooperative, according to the conditions required for membership, or (2) is condemned either for transgression to Articles 82, 83, 84 of law Number 602 or on account of any crime or offense punished by Articles 22 and 24 of the Penal Code.

The member may withdraw after one year of membership, but only at the end of the business year, and then only by giving written notice at least three months before. A longer time limit may be set by the statutes, but cannot exceed ten years. The shares are not transferable to nonmembers, and the statutes may prohibit transfer of shares among members. If the liability of the members is unlimited, they cannot possess more

than one share each. If the cooperative is established on a basis of limited liability of the members, the statutes may determine the highest number of shares owned by one member.

The administrative council (board of directors) consists of at least three members elected by the general meeting. The directors and financial supervisors must have an adequate education or practical training. As Article 29 (paragraph 8) provides: "The persons, who do not possess a certificate of a cooperative school provided for by law Number 4142, or of a secondary agricultural or commercial school or university at least, cannot serve as managers or as heads of financial services of agricultural cooperative organizations of any grade, either in a salaried or non-salaried capacity. From such persons in active service, those who have served for at least three years in their present position or those who have served satisfactorily for a total of five years as directors of cooperative unions and supervisors of a section of a federation, may continue to serve."

The names and original signatures of the members of the administrative and the supervisory board must be submitted after their election to the Court of the Justice of the Peace and to the proper ministry. Within six months after the end of each fiscal year, the board of directors announces the annual business report with the balance sheet as approved by the general meeting, to the Judge of the Peace and the competent ministry. A list of all members, with their places of residence and profession, must be deposited every year at the Court of the Justice of the Peace.

The supervisory board, consisting of at least three members, is elected by the general meeting. The members cannot be of blood relationship or have a connection by marriage up to the fourth degree with a member of the board of directors. Members of the administrative or the supervisory board cannot be at the same time salaried employees of the cooperative. The general meeting of certain categories of cooperatives, however,

may decide to use up to 1 per cent of the surplus for compensation or remuneration of the directors and supervisors.

The board of directors convenes the general meetings as provided by law or by the statutes. An extraordinary meeting has to be called immediately, if it is requested in writing by at least one twentieth of the members, or by three members if the membership totals less than fifty. The voting right of the members is provided by Article 43 of law Number 602 and Article 24 of the decree law dated November 18, 1925 in the following manner: "On cooperatives with unlimited liability, each member has only one vote at the general meeting, however numerous his shares may be. On cooperatives with limited liability it can be determined by the statutes that a member having more than five shares has also a second vote, but in no case may he have more than two votes, however numerous his shares may be. In wine, olive oil, cheese manufacturing and fruit and vegetable processing cooperatives, it can be determined by the statutes that the number of votes of each member will be proportionate to the number of the compulsory shares he must acquire, but in no case can the number of votes of each member be more than five, however numerous his shares may be."

An absolute majority is needed for valid decisions of the general meeting. A quorum in such meetings requires the presence of at least half of the total membership. Three fourths of the members may decide the dissolution of the cooperative at an extraordinary meeting. The guiding ministry also has the right to request judicial dissolution: (1) if the aim of the cooperative or the means used for achieving that end are contrary to the laws or good morals; (2) if normal constitution of the administrative or supervisory board becomes impossible, owing to inadequate number of members or to any other reason; and (3) if the cooperative has been injustifiably inactive for more than two years. An agricultural cooperative organization of any grade may be dissolved "if it constitutes, as such, a mem-

ber of a political party, or if by its work and meetings measures favoring political parties are taken, (or) if such an organization utilizes its estate and its resources for the service of the aims of any political party whatsoever, or for its participation in congresses which deviate from their programs and meddle in politics" (Article 56, paragraphs 6 and 7). Further protections against political influences in cooperative management are provided for in paragraphs 8 and 11 of the same Article 56, which set up the following regulations: "(8) Everyone who has actually been elected or who simply submitted his candidature for election as a deputy, senator or mayor—excluding those, who according to the law referring to the election of senators, are directly elected by the Agricultural Chambers—can only be elected a member of the administration of the agricultural cooperative organizations of any grade or be appointed as manager or employee with pay or no pay, after the lapse of three years from the termination of his term in office as deputy, senator, mayor or even as from the day on which he submitted his respective candidature." "(11) Employees in the pay of agricultural cooperative organizations are not eligible for election as deputies or senators; neither can they be declared as candidates for such offices in the regions where they served during the three years prior to the elections."

If the cooperative is dissolved and liquidated, special regulations control the disposal of the reserve capital or any remaining balances. These funds of the agricultural cooperatives cannot be distributed but must be deposited in the Credit Union of Agricultural Cooperatives or in the Agrarian Bank in the same province, in order that they may be utilized in favor of other cooperatives in the same place and especially for establishing a cooperative similar in purpose to the one that was dissolved. The urban cooperatives have to deposit three fourths of their annual reserve capital "in the Bank of Greece either in the form of securities, or in cash and must be utilized for any even-

tual losses of the cooperatives. Only at the time of dissolution of the cooperative must these be distributed per share between those who were its members when it was dissolved and those who left it not earlier than one year before dissolution. The remaining one fourth of the reserve capital must be deposited every year in the Loans and Deposits Funds at the disposal of the Minister of National Economy, to be utilized for traveling expenses and remuneration of those officials of the Ministry who exercise the control on urban cooperatives" (Article 67). In case of bankruptcy, the provisions of the Commercial Law generally pertain to the cooperatives except where amended by law Number 602 wherein special provisions for bankruptcy and its prevention are comprised.

The last chapter—F—includes penal, general and transitory provisions. According to Article 83: "Employers, merchants, industrialists, capitalists, or other persons are punished with imprisonment up to six months or with a fine up to 4,000 drachma or with both penalties, if actuated by their own interest, they hinder or prevent anybody from becoming a member of a cooperative or they attempt to compel or persuade a member to retire from the cooperative or they use illicit means which may cause the dissolution of the cooperative or any other loss to it."

At least seven cooperatives may form a union, and two or more unions may be united in a central union. Each cooperative member of a union is represented at the general meeting of the union by one representative having one vote; but the voting right in the central unions is regulated by special decree. A decree dated May 7-15, 1934, provided that each union joined to a central union has at the general meeting one vote for each two hundred members of the cooperatives belonging to it. Ordinary cooperatives (cooperatives of the first degree) participating in a central union have, however, only one vote without respect to the size of their membership. The unions and central

unions exercise control and supervision over their members.

According to Article 86, several tax and duty exemptions are granted to cooperatives. Certain types of agricultural cooperatives for the improvement of cultivation or exploitation of agriculture, livestock breeding, and forests enjoy special custom-free import of agricultural machinery, tools, and chemical products, if these goods are used only by the cooperative or by the members, as intended by the emergency law Number 896/1937. However, special decrees set up the machinery for such duty-exempt imports, which must be approved by the Ministry of National Economy and proposed by the Ministry of Agriculture. It must be noted that tax and duty exemptions have since been greatly restricted.

The basic law Number 602 on (cooperative) associations contains provisions for certain state assistance for cooperative education. The Ministry of National Economy every year organizes a series of cooperative courses particularly designed to train rural teachers. The participants receive compensation for thirty days; however, no more than thirty persons may receive this support per annum. The provisions here referred to, though not abolished, are practically inoperative now. Through a special act, care for cooperative education has been entrusted to the Agricultural Bank of Greece, the cooperative services of which have been greatly developed. In addition, a School of Cooperative Education was established with the Panhellenic Confederation of Unions of Agricultural Cooperatives. This school has been successfully functioning for years and provides for the education of cooperative employees.

The Minister of National Economy (Agriculture) may appoint, after a competition, five to ten graduates of law or commercial schools per annum, if it is necessary to use their services for the educational, propaganda, or supervision work of the cooperatives. The term of such an appointment is for three years and may be renewed.

The general provisions for bookkeeping and accounting for agricultural cooperatives, as given in Article 10, were amended by the Royal Decree dated July 15-24, 1915. Cooperatives must keep and conduct (1) books of general character, such as minutes and records of the board(s) and general meeting(s), files for correspondence; (2) books of accounting (inventory, balance sheets, ledger, etc.); and (3) certain special auxiliary books. As stated in law Number 602, Article 92: "Account books can be procured by the competent ministry and granted to the cooperatives either gratis or at a price equal to the expenditure required for their purchase or even at a lower price." The form of bookkeeping and accounting is similarly regulated for the cooperative unions by the Royal Decree of June 14-27, 1922.

The amalgamation of agricultural cooperatives having the same purpose is regulated by a special Presidential Decree dated January 17, 1934.

The basic law Number 602 of 1914, with its modifications and amendments, contains very comprehensive provisions for the legal status of all types of cooperatives. However, in certain cases, special legislative actions were taken; primarily in the case of compulsory cooperatives for land-improvement projects (basic law Number 4639/1930 as amended by law Number 6075/1934). In several cases, the state supported the settlement of landless agricultural laborers, and facilities were granted in a cooperative way. The forest cooperatives—according to the provisions given in the decree law of February 14-18, 1939—are divided into two groups: forest owners' and forest workers' cooperatives. A law of January 12-26, 1939, determined the formation and operation of cooperative bakeries. Also, a special decree law recognized the organization of a credit and supply cooperative for the employees of the Bank of Greece.

Establishment and general operation of building cooperative societies are regulated by law Number 602 of 1914, but

financial assistance on the part of the state for establishing such societies is granted by special laws and decrees. The decree law of May 11, 1929, granted facilities to public service employees for acquiring homes through cooperatives formed for such purpose. A law dated January 27, 1951, included the financial support of building cooperatives participating in the workers' housing program. This was modified and completed (Article 3) by law Number 2063 of January 27, 1952.

After World War II, several provisional laws and decrees were enacted and issued in order to reorganize or restore the administration of agricultural cooperatives; examples of this type of legislation were the compulsory laws Number 389/1945 and Number 1123/1946 and the decree laws of April 17-18, 1947, and October 29-31, 1949.

Law concerning the allocation of an annual contribution to the Greek Agricultural Society—April 25, 1913.

*Law Number 602 on (cooperative) associations—December 31, 1914, January 24, 1915.

Royal Decree concerning the delivery of agricultural products to credit societies—July 15-20, 1915.

Royal Decree concerning the method of keeping the books of agricultural societies—July 15-24, 1915.

Royal Decree concerning grants of money to group of agriculturists and agricultural associations in lieu of grant to be supplied by the National Bank—February 3-16, 1916.

Royal Decree on the Consultative Commission of Associations—November 13-15, 1917.

Decree law modifying Article 3 of the law "on associations"—November 18-December 1, 1917.

Law Number 1435 concerning approval of decree laws concerning the Ministry of Agriculture—May 22-26, 1918.

Law Number 1688 completing law Number 602 on (cooperative) associations—January 8-22, 1919.

Legislative decree relating to the inspectors of agricultural cooperative associations—May 31-June 1, 1919.

Legislative decree modifying the law on the Agricultural Bank of Thessaly—June 5-6, 1919.

Royal Decree modifying the Royal Decree of November 13-15, 1917, on the Consultative Commission of Associations—June 17-19, 1919.

Royal Decree relating to the selection by competitive examination of inspectors of agricultural associations—October 14-19, 1919.

Law amending the law on the Agricultural Bank of Thessaly—January 15-28, 1920.

Law Number 1953 ratifying and completing the legislative decree May 31-June 1, 1919, "on the inspection of agricultural cooperative societies"—January 27-February 3, 1920.

Law Number 2047 regarding the Agricultural Banks of Macedonia and Epirus and of the Aegean Isles—February 26-29, 1920.

Royal Decree modifying the Royal Decree of June 20-July 3, 1919, "on examinations for the post of inspector of agricultural cooperative societies"—March 5-18, 1920.

Royal Decree on the advisory board of cooperative societies—May 29-June 3, 1920.

Royal Decree fixing the stations and areas of the inspectors of agricultural cooperative societies—July 24-August 6, 1920.

Law Number 2523 encouraging societies for insurance against hail—September 24-October 3, 1920.

Law Number 2522 concerning the credit of cooperative societies of cultivators constituted by the National Bank—September 24-October 3, 1920.

Decree on the execution of the above law—November 14-18, 1920.

Royal Decree completing and modifying the decree of 1919 concerning competitive examinations for inspectorships of agricultural cooperative societies—November 16-29, 1921.

Royal Decree fixing the number of inspectors of agricultural cooperative societies at seven—December 11-24, 1921.

Royal Decree of the accounts of the unions of agricultural cooperative societies—June 14-27, 1922.

Royal Decree modifying Articles 2 and 4 of the Royal Decree of October 20-November 2, 1915, "on agricultural cooperative societies"—July 24-August 6, 1922.

Law on the organization of an insurance society for the oil industry—August 12-25, 1922.

Decree availing as a law on the reconstruction of cooperative societies of farmers—March 28-April 3, 1923.

Royal Decree extending the application of certain provisions of the decree availing as a law concerning the reconstruction of cooperative societies of landless farmers—April 18, 1923.

Decree availing as a law adding a paragraph to Article 32 of the above decree—April 18, 1923.

Law Number 3322 modifying and completing legislation of April 27—May 5, 1925.

Decree law concerning compulsory cooperatives for administration of commonly owned land and the disposal of commonly owned pastures —July 11-19, 1923.

*Decree law amending the law Number 602 of 1914 concerning (cooperative) associations—November 28-December 12, 1925.

Decree law on agricultural credit cooperatives—November 28-December 7, 1925.

Decree law creating agricultural banks—January 12, 1926.

Decree modifying Article 86 of law Number 602 of 1914 on (cooperative) associations and certain laws on duties—June 13, 1927.

Decree law concerning compulsory cooperatives for the improvement of fruit trees—June 19-July 1, 1926.

Decree law concerning agricultural cooperatives of mutual insurance—July 2-17, 1926.

Decree modifying the agricultural law concerning the accounting books of cooperative societies—July 15-August 4, 1926.

Decree law approving and modifying laws concerning the Agricultural Bank of Thessaly—November 13, 1927.

Decree approving and modifying the decree law of January 12, 1926, on the creation of agricultural banks—November 13, 1927.

Decree law approving decree law of September 13, 1925, on method of participation of cooperative societies to competitive bidding for the undertaking of the construction of projects or the supplying of commodities to the state, etc.—November 13, 1927.

Decree on the representation of agriculturists in the managing councils of agricultural banks—December 10, 1927.

Decree on the duty free import of machinery and implements by cooperative societies or their unions—March 9-12, 1928.

Law on the bank for the protection and development of stock raising —September 21, 1928.

Law modifying the law on agricultural banks—January 12, 1929.

Law Number 3770 concerning the establishment and operation of bakeries (bakery societies)—January 12-14, 1929.

Law concerning agricultural syndicates for mutual insurance—January 19-27, 1929.

Law Number 3905 instituting an autonomous organization for agricultural credit—February 15-16, 1929.

Law Number 4055 modifying law 602 on (cooperative) associations—March 4-6, 1929.

Law Number 4142 on the Statutes of Agricultural Services—May 2-8, 1929.

Decree law concerning facilities granted to public service employees for organization of cooperative housing societies—May 11, 1929.

Decree on the Administrative Commissions of Insurance Banks for the production of oil—July 19, 1929.

Law Number 4332 on the approval of the convention between the Greek State and the National Bank of Greece on the institution of an agricultural bank—August 10-16, 1929.

Decree on agricultural banks—October 25, 1929.

Law Number 4454 modifying law Number 4332 approving agreement

between Greek State and National Bank of Greece for the establishment and operation of an agricultural bank—January 3, 1930.

Decree concerning the organization and working of forest cooperative societies—March 20, 1930.

Decree abolishing inspection of cooperative societies—April 1-16, 1930.

Law Number 4607 modifying certain provisions of law on import duties—May 1, 1930.

Law Number 4639 on compulsory cooperatives for land-improvement projects—May 3-8, 1930.

Law Number 4640 modifying and completing Article 56 of law Number 602 on (cooperative) associations—May 3-12, 1930.

Decree concerning the building program and the types and plans of houses to be built by cooperative societies of officials—January 12, 1931.

Decree facilitating the acquisition of houses by officials through cooperative societies—January 20, 1931.

Law Number 5198 modifying the existing decrees on duties on chemical fertilizers—July 24-27, 1931.

Law Number 5220 establishing compulsory cooperative society of farmers owning vineyards within the communities of the Chalkis municipality—July 26-31, 1931.

Law Number 5262 respecting tax-exemption of fishing cooperatives—August 2-11, 1931.

Law Number 5277 on the approval of the agreement of May 3, 1931, on the modification of laws Number 4332 and Number 4454 on approval of the agreements between the Greek State and the National Bank of Greece of June 27, 1929 and December 9, 1929—August 10-14, 1931.

*Law Number 5289 amending the law Number 602 of 1914 concerning (cooperative) associations—August 31-September 17, 1931.

Royal Decree on tax-exemption of fishing cooperatives—February 12, 1932.

Law Number 5420 completing, modifying, and approving decree law of February 6, 1932, granting tax-exemption and reductions to tax debtors to the state—April 26, 1932.

Law Number 5556 completing law Number 4639 concerning compulsory cooperative societies of land reclamation—June 27-July 5, 1932.

Decree on method of approving accounting books of cooperative societies—September 11-17, 1932.

Law Number 5845 "on the formation of compulsory cooperatives in the districts of Attica and Boeotia"—October 11-13, 1933.

Decree on accounting books of compulsory cooperative societies of land reclamation—June 24-July 3, 1933.

Decree respecting the amalgamation of agricultural cooperative organizations with the same objectives—January 17-31, 1934.

Decree on the right of vote at general meetings of compulsory cooperative societies—January 19-30, 1934.

Decree on execution of law Number 5845 of 1933—January 17-25, 1934.

Law Number 6070 to amend and supplement certain provisions of law Number 602 of 1914, respecting (cooperative) associations and subsequent laws amending the same—February 14-20, 1933.

Law Number 6075 to amend and supplement law Number 4639 respecting land improvements effected by compulsory cooperative societies—February 14-21, 1934.

Law Number 6084 modifying and completing law Number 5220 on cooperative societies of vineyard owners—February 23-26, 1934.

Law Number 6085 establishing compulsory cooperative societies of Samos wine producers—February 23-26, 1934.

Decree law concerning voting rights in the central unions of cooperatives—May 7-15, 1934.

Decree law respecting the organization of the services of the Inspectorate of Labor Social Welfare and Cooperative Societies—April 12-17, 1935.

Compulsory law to amend Section 83 of law Number 602 of 1914, respecting (cooperative) associations—November 16, 1935.

Compulsory law to amend and supplement the law Number 602 of 1914, respecting (cooperative) associations—January 23-25, 1936.

Compulsory law Number 1154 concerning the central organization of agricultural cooperative societies—March 23-28, 1938.

Decree respecting the competence of the administrative bodies of the National Federation of Greek Agricultural Cooperative Societies—May 30-June 1, 1938.

Law Number 1480 to supplement and modify certain provisions of the laws Number 602 of 1914, Number 6448 of 1935, and Number 1154 of 1938—November 18, 1938.

Law Number 3770 concerning the establishment and operation of bakeries (bakery societies)—January 12-26, 1939.

Compulsory law Number 1626 on forest cooperatives—February 14-19, 1939.

Compulsory law on provisional administration of the pools of agricultural cooperatives—May 20-23, 1945.

Compulsory law Number 389 concerning provisional administration of the agricultural cooperative organizations—June 5-8, 1945.

Compulsory law Number 854 amending the provisions relating to forest cooperatives—January 15-23, 1945.

Compulsory law Number 1123 amending the compulsory law Number 389 of 1945—March 18-20, 1946.

Decree law containing certain regulations concerning the agricultural cooperative organizations and the Agricultural Bank of Greece—April 17-18, 1947.

Law Number 531 amending the regulations concerning the compulsory cooperatives for land-improvement work—January 28-31, 1948.
Royal Decree concerning the voting rights in the central unions of agricultural cooperatives—June 24-July 29, 1949.
Decree law concerning the establishment of a credit and supply cooperative for the employees of the Bank of Greece—October 25-31, 1949.
Decree law for ratification of certain laws of the Cabinet relating to agricultural cooperative organizations—October 19-31, 1949.
Law Number 1667 relating workers' housing program (Articles 3 and 5 for cooperative building societies)—January 27, 1951.
Law Number 2063 modifying and completing law Number 1667 of 1951, concerning workers' housing program (Article 3)—January 27, 1952.
Decree law Number 2185 concerning compulsory expropriation of land for the settlement of farmers and stock breeders. Articles 23 and 32 provide for the compulsory establishment of joint farming cooperatives—August 15, 1952.
Law Number 2359 modifying and completing certain legal provisions relating to the Agricultural Bank and to cooperatives—April 2, 1953.

ICELAND

THE general law Number 46 for all types of cooperative societies was promulgated on June 13, 1937, and amended by law Number 73 on June 11, 1938. According to Article 1 of law Number 46, the provisions pertain to all societies operating on a cooperative basis and whose purpose is to improve the economic prosperity of their members in proportion to their participation in the activities of the societies. Their field of activity includes buying consumer and other goods for the members with a reduced service cost and selling the farm products of the members or goods manufactured by their plants, supposing a sufficient quality of the products. Cooperative societies may be active in other fields, such as public education, building houses or apartments, operating industrial plants, or providing loans for business.

All the cooperative societies have to meet the following legal requirements: (1) admission must be open to everybody who complies with certain regulations; (2) each member has

one vote regardless of his economical status or his activities in the society; (3) a certain part of the gross income shall be deposited annually in the reserve fund; (4) the net profit (savings) of the society shall be paid to the members as dividends on purchase (patronage refund) in proportion to their participation in the society's business; (5) the share capital is made up of the deposits belonging to each member and is increased annually by a part of the member's share when the surplus (savings) is distributed; (6) net profit from business done with nonmembers will be placed in the reserve fund unless used for public benefit; (7) rate of interest on the shares of the members or on their savings account cannot be higher than 1½ per cent over the interest rate paid by ordinary savings banks; (8) a register of members shall be kept in order to have an accurate knowledge of their number; and (9) deposits of the funds will not be distributed when the society ceases operation. When obligations of the society are fulfilled, the remaining amount is invested under the supervision of the community council, until another cooperative society or societies in a similar field start to operate in the same area. If approved by the community council and by the minister of trade, the new society (ies) obtains the remaining funds of the previous society.

Persons interested in organizing a cooperative must call a public meeting for discussion of and voting on the plans. When fifteen persons are willing to form a society, written rules conforming with the aforesaid principles shall be set up, and the cooperative society will be legally organized.

The rules contain the following provisions: (1) name and address of the society; (2) its objectives and plans for the future operations; (3) arrangement for the governing body of the society and its power in handling the affairs; (4) branches or subdivisions, if there are to be any; (5) appointment of an executive manager and an outline of his field of work; (6) power of members, meetings, and date of the yearly elections; (7)

conditions under which loans can be obtained; and (8) liability of the members for the obligations of the society. The minimum requirement is that each member is responsible to the extent of all his share capital and for a certain additional amount (300 kr.). When the society sells only for cash, the member's liability will be reduced to his part in the original capital. Other provisions are: (9) business accounts and their supervision; and (10) changes of rules and dissolution of the society.

The organized society has to elect annually an executive committee (board of directors) and supervisors. The rules provide terms for admitting new members. Every member shall sign a statement that he is responsible for the obligations of the society to a certain extent. Admission fee is 10 kr. The withdrawal of a member or his death should be reported to the society. The liability of the withdrawn member or legal claims against the remaining possessions of a deceased member will continue for not longer than two years. However, this holds true only for the obligations existing on the date of the withdrawal or death.

The cooperative society has to be registered with the local chief of police of the area in which it intends to operate. The managers are held responsible for the obligations of the unregistered societies. The society must report for registration within a month of its foundation. The report has to contain the name and address of the society, its objectives and operation, names and addresses of the board members and of the manager, their authorization to deal in the name of the society, and the extent of the members' liability. If the society starts a branch in another district or moves to another place, it must be registered at the new place. Changes in the rules pertaining to the members' liability must be reported at once.

The members' meeting has the full authority for the affairs of the society. One general meeting has to be held each year. The executive members may call an extraordinary meeting if

they find it necessary or if requested by one third of the members. At the meetings, the members have one vote if the society is not divided into branches. In the societies divided into branches, only the designated representatives vote. Their number is in proportion to the number of members in their branch or—in accordance with Article 1 of the amending law Number 73, dated June 11, 1938—in proportion to the total amount of business that the branch does with the society. The general meeting can legally act if one third of the members are present or if representatives from more than half of the branches are in attendance.

The members of the executive committee (board of directors) are elected by the general meeting. Only members of the society are eligible to election. The general meeting also elects two supervisors for a term of two years; the supervisors must be members of the society but not members of the executive commitee. The supervised accounts are discussed at the general meeting and approved by vote of the members.

A yearly payment into the reserve and other funds not to be divided must be fixed by the rules and must be not less than 1 per cent of the total amount of the gross income.

The share capital is used for the operation as needed. The members' shares will be paid back only in case of death, of bankruptcy, or when the member moves to another district or becomes dependent on public help. If the security funds are not sufficient to cover the eventual losses, the share capital may be used to pay off the deficit to avoid bankruptcy of the society. No payments to members from the net profit (savings) are allowed until allowances are made for the depreciation of the society's properties and the required allocations to the various funds are made as required by the rules.

Two or more societies may amalgamate. Cooperative societies are entitled to open bank accounts for the benefit of the members.

Three or more societies operating in the same or similar fields may join in a federation (wholesale society). The meetings of the representatives of the member-societies exercise direction of the affairs of the federation. The representatives are elected from the member-societies. Their number is in proportion to the number of the members in their own society or (law Number 73, June 11, 1938, Article 2) to the total amount of business done with the federation (wholesale). The board of directors will be elected by the general meeting and will consist of at least three members. The board is entitled to supervise the business accounts of the member-societies and to give assistance if necessary.

The cooperative society shall be dissolved if such a resolution is passed by two consecutive meetings and two thirds of the members present vote for it. A committee elected by the last meeting and the Ministry of Justice are authorized to act for the dissolution and for the distribution of the assets in accordance with the general Icelandic laws. The book accounts will be taken over by the state when the society ceases to operate.

Chapter VIII of law Number 46, June 13, 1937 (Articles 41-45) contains miscellaneous provisions on taxation and on fines levied if the society by negligence submits false information concerning its financial status. The cooperative societies pay taxes on land and up to 2 per cent of the estimated value of the buildings used by the societies in their business (except buildings for public service such as hospitals, libraries, schools, etc.). However, they pay taxes on profit only from the business volume done with nonmembers.

A very important form of cooperative enterprise in Iceland is the cooperative housing and building society. The legal provisions for such societies are included in the general Workmen's Dwellings Acts, which granted special state financial assistance for housebuilding. The first such act was passed in 1929, and amended several times—in 1932, 1933, and 1938.

Law Number 44 dated May 7, 1946, abolished all the former laws and provided official assistance for the building of houses in towns and villages. This law sets up three types of house-building programs to come under public aid. Section I deals with workmen's dwellings, Section III concerns the aid given by the state to towns and villages (to the parochial authorities), and Section II (Articles 12-25) contains the provisions for cooperative building societies entitled to apply for state loans. The purpose of these cooperative societies is to build apartments as economically as possible for the private use of their members or to make loans to them to build homes. At least fifteen members are required for the formation of such a society. However, twenty is the minimum membership in the communities having more than 1,000 inhabitants and twenty-five in the areas with a population over 10,000. Rules shall be approved by the Ministry of Social Affairs. However, the general provisions for management, bookkeeping and accounting, calling of meetings, registration and dissolution are the same as given by law Number 46 of 1937. The cooperative building societies are financed in two ways—by the annual and voluntary contributions of the members and by the loans guaranteed by the state. This latter amount cannot exceed 80 per cent of the building cost of the houses erected by the society.

The building society grants loans to its members for building homes secured by first priority mortgage and not exceeding 75 per cent of the cost. The member is entitled to borrow from the society when his contributions to the capital fund amount to not less than one fifth of the cost of the intended building. The house must be built of solid material and of a size considered to fit the family's need (not over 500 cubic meters). If the member builds by himself, it must be done under the supervision of the society's building inspector. Model designs will be furnished by the state without charge.

The right of selling or subletting is limited by the rules. In case of selling, the society has an option for the purchase, except when the widow or the children will occupy the house or apartment and will succeed the member in the society. If the society does not exercise its right of option, the house may be sold to anyone, but the buyer must meet the requirements to become a member of the society. The selling price cannot exceed the original cost plus the current building cost index figure and the value of the improvements made, less a reasonable depreciation as appraised by valuers appointed by the local court. If the member should sell the house for a higher price, the difference has to be deposited in the reserve fund. The society decides the rent if some part of the house is to be sublet with the permission of the management.

A special law (Number 98, dated June 11, 1938) allowed the owners of fishing boats in the same area to establish cooperative societies to provide loans for working capital. They can also do collective buying for the members. The liability of members may be joint (unlimited) or limited to the amount of the debt of the member plus a certain sum stated in the rules. The membership may vary from ten to thirty. Similar laws (Number 45 of February 12, 1940, and Number 109 of December 30, 1943) assisted the cooperative organizations of fishermen (because fishing is one of the most important industries in Iceland), even providing for certain type of mutual self insurance societies that financially assist the members in case of a period of low earnings. At least 0.7 per cent of the income shall be paid by the members to such a security fund.

Law Number 71 concerning cooperative building societies (abolished) —June 23, 1932.

Law Number 41 modifying the law Number 71 of June 23, 1932 (abolished)—June 19, 1933.

*Law Number 46 on cooperative societies—June 13, 1937.

Law Number 71 concerning cooperative building societies (abolished) —June 11, 1938.

*Law Number 73 to amend the law Number 46 of June 13, 1937, on cooperative societies—June 11, 1938.
Law Number 98 concerning fishermen's societies—June 11, 1938.
Law Number 45 concerning fishermen's societies—February 12, 1940.
Law Number 109 concerning fishermen's societies—December 30, 1943.
*Law Number 44 consolidating provisions on cooperative housing and building societies—May 7, 1946.

REPUBLIC OF IRELAND

COOPERATIVE legislation in the Republic of Ireland (26 counties) is based upon the cooperative acts of Great Britain, with the exception of those enacted after 1921. The different types of cooperatives are regulated in the following way: all cooperative societies—with the exception of credit societies—are incorporated under the British Industrial and Provident Societies Acts (1893—1913); and the credit societies operate under the Friendly Societies Acts, 1896 and 1908.

The last consolidating Industrial and Provident Societies Act of 1893—which replaced the former complete consolidating act of 1876—with its amendments of 1894, 1895, and 1913, provided the basic regulations for Irish cooperatives. The amendments of 1894 and 1895 contain only minor dispositions (the first one relating only to the Island of Jersey). However, the amendment act of 1913 introduced a new requirement whereby societies must submit their accounts each year for auditing (as regulated under the act of 1893); and a triennial return containing the holding of each person in the society (in shares or loans) must be sent to the Registrar. This act of 1913 permitted the registration of an organization consisting solely of two or more registered societies. Also, new provisions relating to the member's right of nomination were introduced by this amendment act.

The later amendments of 1928 and 1952 enacted in Great Britain have no force in the Republic of Ireland. The amend-

ment act of 1952 increased the limit of a member's shareholding to £500. However, the limit in the Republic of Ireland is still £200, as provided formerly by the consolidating act of 1862. The single amendment to the basic acts was passed in Ireland in 1936. Therefore, the correct reference of the Irish cooperative acts is the Industrial and Provident Societies Acts, 1893-1936.

A distinctive difference between the cooperative societies and other companies (regulated by the Companies' Acts, 1908-1924) is the limited shareholding. The regulation setting a maximum shares value of £200 per member was modified by the Creamery Act of 1928, which established a Dairy Disposal Company (a government-sponsored body) and relates to the largest group of the cooperative societies—the dairy societies. Also, the registered societies may hold shares in another society in excess of £200 if provided by their rules.

The administration of the acts (according to the act of 1936) is executed by the Minister for Industry and Commerce. His administrative powers, duties, and functions are carried out by the Registrar of the Friendly Societies.

The principal requirements, which any registered society must meet, are similar to those in Great Britain. (1) Any person under the age of twenty-one, but above sixteen, may be a member and enjoy all rights (excepting membership on the committee, or holding an office as trustee, manager, or treasurer of the society) if not provided otherwise by the rules. (2) Limited shareholding is allowed up to £200, except in the case of the application of the Creamery Act, 1928. (3) Liability is limited. The last word in the firm name of every society must be "limited." (4) Nomination right is given each member to transfer up to £100 of his shares in case of death. Further important provisions extend tax exemption—under certain conditions—to cooperative societies. However, these are now regulated by the Finance Acts and not, as originally, by the Industrial and Provi-

dent Societies Acts. The Registrar of the Friendly Societies has the right—upon the application of any ten members—to inspect the accounts and make inquiry into the affairs of the society, including the calling of a special general meeting.

As provided by the act, the accounts of the societies must be audited at least once a year. The list of authorized public auditors is published at the end of each year by the Minister for Industry and Commerce. Annually, not later than March 31, the societies have to file with the Registrar of Friendly Societies a form of their accounts, called "Annual Return." The auditing reports and statement of accounts may be inspected by any member. A copy of the last annual return may be furnished to members or to interested persons upon request. The mentioned "Triennial Return" must be filed every three years with the Registrar and must show the name or distinctive number of each shareholder.

Under the acts, the societies may perform the following functions: change their names and their registered offices; amend the rules; purchase, lease, sell, or let land on premises; invest their funds in securities; accept deposits; borrow and lend money; generally engage in any transaction for the benefit of their members; amalgamate with other societies; transfer their engagement to another society; or convert themselves into a company under the Companies Acts, 1908-1924 (a company may convert itself into a society). Some of the important functions must be approved by "special resolutions" adopted by three fourths of the members entitled to vote. However, no "special resolution" is required to amend the rules. For voluntary liquidation or dissolution of the society, an "extraordinary resolution" must be passed by a three-fourths majority of the voting members. No special or extraordinary resolution becomes effective before being registered with the Registrar of Friendly Societies. Voting by proxy is generally permitted only in a small number of societies.

The cooperative credit societies are registered under the provisions of the Friendly Societies Acts of 1896 and 1908 (not in Great Britain). The general purpose of the Friendly Societies is to benefit members primarily through providing security and protection against the ordeal of unexpected sickness, unemployment, and other emergencies. But these acts also provide for other classes of societies. "Among these, the last one is classified as 'specially authorized societies.'" This provision is applied to cooperative credit societies, whose members are primarily engaged in agriculture in the Republic of Ireland.

Formerly, these credit societies called themselves "Agricultural Banks," but the Central Bank Act of 1942, ordered them to discontinue the use of the word "Bank." The general rules for these "specially authorized (credit) societies" are similar to those provided by the Industrial and Provident Societies Acts, with the exception of the voluntary dissolution. Credit societies may be dissolved by means of an "Instrument of Dissolution," signed by at least three fourths of the members, or it may have its registration cancelled by application to the Registrar after first showing good reason for terminating its existence. The cooperative credit societies operate only for borrowing and lending and are not engaged in ordinary trading. They do not issue shares, and the members' liability is determined by their own resolution passed at the general meeting. They enjoy tax exemption and do not pay special stamp duties on their documents. Loans extended to members must be approved by their committees, and the method of investment of the surplus funds is also strictly defined.

Despite the fact that the general legislation for cooperative societies in the Republic of Ireland is provided by the cooperative laws enacted in Great Britain, several special acts passed since 1921 in the Republic of Ireland contain important provisions for cooperatives. Since these societies belong primarily to the agricultural group, the various agricultural marketing acts

particularly pertain to their legal functions. One of the most important agricultural acts was passed on August 3, 1928, and called the Creamery Act. It also provided more effective regulations for cooperative societies engaged in the dairying industry and established a government-sponsored body—the Dairy Disposal Company. This company used public funds to purchase certain proprietary creameries, but it is expected that gradually all noncooperative creameries will be transferred to cooperative ownership. It is part of the policy of the cooperative movement to take over proprietary bacon factories, and one of the oldest and most important factories has been purchased by a large cooperative society. The Agricultural Credit Act (passed on May 28, 1927, and amended in 1928 and 1929), which established the Agricultural Credit Corporation, was designed to assist in the financing needed by the farming community, including cooperative societies. The cooperative societies, however, have not availed themselves of its services to any considerable extent.

Because of the general agricultural character of the cooperative societies in the twenty-six counties (Republic of Ireland), the most important agricultural organization—the Irish Agricultural Organisation Society (I.A.O.S.)—represents the interests of the cooperatives. The cooperative societies in the six counties of Northern Ireland (the separation between the Republic of Ireland and Northern Ireland took place in 1922) were originally established by the I.A.O.S., but are now members of the Ulster Agricultural Organisation Society (Belfast). The two organizations continue, however, in close affiliation.

The Irish Agricultural Organisation Society was registered in 1894, with the object of consolidating the movement so far as it had progressed in the earlier years as a result of the propaganda carried on by Horace Plunkett (who also organized the first cooperative society in Ireland in 1889) and his associates. The functions of the Irish Agricultural Organisation Society

are mainly propagandist and advisory. The societies organized by it comprise its membership, and its work is concerned only with the farming community.

The Irish cooperative movement operates under acts of Parliament originally designed for urban conditions, and, while the existing legislation is generally suitable, it needs amendment or possibly supersession by a new act in the light of conditions that have developed during the last half century.

Industrial and Provident Societies Act—1893-1913 (Great Britain).
Friendly Societies Acts—1896-1908 (Great Britain).
Agricultural produce (eggs) acts—1924, 1930, and 1939.
Agricultural credit act—1927.
Agricultural credit act—1928.
Creamery act—1928.
Act to amend the agricultural credit act—1929.
Agricultural produce (fresh meat) acts—1930, 1931, 1935, and 1938.
Agricultural produce (potatoes) act—1931.
Seeds and fertilizers supply acts—1932, 1933, 1940, 1941, 1942, and 1943.
Road transport acts—1932, 1933, 1934, and 1935.
Road traffic act—1933.
Agricultural produce (cereals) acts—1933-1939.
Agricultural products (regulation of exports) acts—1933 and 1935.
Creamery (amendment) act—1934.
Dairy produce (amendment) act—1934.
Pigs and bacon acts—1935, 1937, 1938, 1939, and 1940.
Industrial and Provident Societies (amendment) Act—1936 (Ireland).
Agricultural seeds act—1936.
Agricultural products (regulation of imports) act—1938.
Shops (hours of trading) act—1938.
Shops (conditions of employment) acts—1938 and 1942.
Holidays (employees) act—1939.
Dairy produce (amendment) act—1941.
Central bank act—1942.
Creamery acquisition act—1943.
Industrial relations act—1946.

ITALY

A special chapter of the General Commercial Code, which came into force on January 1, 1883, contained the first legal provisions for cooperative societies in Italy. A great development of cooperatives followed during the next decades. However, no general, but only special, legislative actions were taken concerning cooperatives. The Commercial Code did not specifically define the cooperative character of such societies, but only classified cooperatives as societies with variable capital.

Various special laws defined cooperatives in a more detailed manner by distinguishing them from other forms of private enterprises. This legal consideration was expressed more effectively in the laws establishing special requirements for cooperatives applying for state loans or taking part in public work. When the societies came into direct relation with the state, the latter had a special opportunity to regulate the principles under which societies might be considered as cooperatives. The very important decree Number 278 was issued on February 12, 1911, and provided for the rules and registration of cooperative societies entitled to take part in public adjudications.

A basic act establishing the legal status of cooperatives is the Civil Code (Title VI) in force since April 21, 1942. The Code permitted a five-year period for the cooperative societies to amend or modify their rules according to the provisions of the Code; but this period was extended to June 30, 1950, by law Number 1051, dated December 19, 1949. However, law Number 920 of October 18, 1950, abolished such a fixed term for the transformation of the rules, because the legislature is considering an eventual reform of the whole Civil Code. The Civil Code amended the former regulations of the Commercial Code, 1882, and of the various special cooperative laws. It stressed that the members of a cooperative society shall have a

mutual interest (Article 2511). The number of members is theoretically unlimited.

The intention of the law is to provide an organized and uniform framework of construction for cooperatives. Therefore, Article 2518 enumerates everything the rules of each cooperative shall contain. The most important items to be included in the rules are: (1) registration of the members by name (with the name of the father) and address; (2) the name and place of the cooperative; (3) the objectives; (4) limited or unlimited liability of the members; (5) face value of each share and the quantity that may be possessed by one member; (6) method of admission, withdrawal, and exclusion of members; (7) distribution of the surplus; (8) calling of meetings; (9) number of the administrators (board of directors); and (10) duration of the society.

The Code Civil does not state a minimum membership. However, the special decree of February 12, 1911, required a minimum of nine members. The order of August 24, 1936, stipulated a minimum membership of thirty for cooperative rural and artisan banks. The latest law (April 2, 1951) requires —in addition to the general requirement of nine—at least twenty-five members for the production and labor societies admitted to public works and fifty members for consumer societies. In certain special types of cooperatives (such as workers' cooperatives), only workers in the profession complying with the productive purpose of the cooperative shall be admitted as members. However, up to 4 per cent of the total membership may come from among the technical or other employees of the society. In the cooperative rural and artisan banks, at least four fifths of the members must be agriculturists or artisans, respectively.

The liability of members may be limited or unlimited, as provided by the rules. The amount of the shares owned by one member—according to the provisions of the law of December

14, 1947—cannot exceed 250,000 lire. The face value of a share cannot be less than 500 or more than 10,000 lire. Each member has one vote without respect to the number of shares in his possession, and voting by proxy and by mail is allowed.

Further detailed regulations are provided concerning the calling and carrying out of the meetings (general and extraordinary), the functions, duties, and responsibilities of the administrators (board of directors) and of the appointed director (manager), the setting up of the annual balance sheets, the obligation of regular bookkeeping, modifications of the rules, and the duration, liquidation, transformation, or fusion of the society.

The very important regulations concerning the supervision and inspection of cooperative societies are provided by law Number 1577, promulgated on December 14, 1947, and modified by the laws of May 8, 1949 (Number 285), March 13, 1950 (Number 114), August 10, 1950 (Number 695), and April 2, 1951 (Number 302). This law (originally called a "legislative decree of the provisional head of the state") deals primarily with the supervision and inspection of cooperative societies and in the designation of these actions includes certain characteristic cooperative principles, as required by the previous special cooperative acts. The permanent supervision of cooperative societies was a pressing problem of the Italian movement. As early as 1888, the various cooperative congresses (Teramo and Bari) discussed the necessity of organized supervision. But not until 1907, at the Cremona congress, was the proposal of Luigi Luzzatti and Anselmi for furthering a compulsory supervision system formally accepted. However, according to the intention of this proposal, the "compulsory" supervision should be established by voluntary cooperation of the societies, and the state should only intervene in case supervision by the cooperatives was insufficient. Legal drafts were even prepared for the introduction of compulsory supervision and inspection. A draft

prepared in 1894 by Leone Wollemborg (a pioneer of the rural cooperative banks) emphasized the necessity of compulsory supervision and inspection. As proposed, this biennial supervision should have been exercised over the affiliated members by a federation instituted by the cooperatives themselves. In 1896, in connection with the reform of the Commercial Code, a cooperative subcommittee under the chairmanship of Vivante considered a biennial supervision similar to that adopted in the German law. In addition to the bill proposed by Luzzatti in 1905, further attempts were made in 1918 and in 1922 to establish compulsory supervision and inspection of cooperative societies by law. In 1926—when cooperatives came under the direct influence of the fascist government—the National Fascist Institute of Cooperatives (E.N.F.C.), a government-established and government-controlled body, was entrusted with these functions for all cooperatives.

After World War II, it was an urgent task to restore the democratic and autonomous status of cooperatives. However, on the other hand, there arose a serious problem brought about by inflationary economic conditions. Several profit-seeking private business enterprises were using the cooperative form. A great number of pseudo-cooperatives operated under the protection and privileges of prior cooperative laws but for the private profit of a small group of businessmen. These conditions brought about the creation of a new cooperative law pertaining in particular to supervision and inspection. This law was enacted by the legislative decree, Number 1577, of December 14, 1947. The requirement attempting to provide both autonomy and supervision at the same time also meant considerable difficulty in drawing up corrective legislation. The new law had to restore the original autonomous legal status of cooperatives and to protect their characteristic principles by refusing the admittance or registration of the increasing number of pseudo-cooperatives. It was very important to set up the supervision and inspection

in a democratic way and thus insure that the functions of the state should not involve a direct influence and overruling control of the internal affairs of the cooperatives, a characteristic of the totalitarian system of the fascist regime. Experience indicates that this intention was realized. Leaders of the Italian cooperative movement feel that the present system provided by this law is not at all anti-democratic. It recognizes the right of cooperative societies for self-control and self-government and states that the state should act only in a very few exceptional cases. This consideration was included in the new constitution of the Italian Republic, which came into force on January 1, 1948. According to Article 45: "The Republic recognizes the social function of cooperative societies of a mutual aid character not pursuing objects of private profit. The law shall favor the establishment of such societies by the most suitable means and shall secure maintenance of their character and object by appropriate supervision."

The legislative decree of December 14, 1947, instituted the ordinary biennial supervision. The General Directorate of Cooperatives, established in 1946 in the Ministry of Labor and Social Security, is the official state body for cooperatives, and also has the right of extraordinary inspection through its own officers. However, according to the mentioned principle of self-government and self-control by the cooperatives, the national federations of cooperatives exercise supervision over the affiliated members. In conformity with the decree of December 14, 1947, two orders were issued on the same date—April 12, 1948—and legally recognized the right of the Confederation of Italian Cooperatives (with 8,605 affiliated societies) and of the National League of Cooperatives (with 10,808 member-societies). Cooperatives not affiliated with any national federation are supervised by the Ministry.

The registration of cooperatives is regulated much the same as under the decree of February 12, 1911. For this purpose the

societies are classified into the following seven groups: (1) consumer, (2) production and labor, (3) agricultural, (4) building, (5) transportation, (6) fishing, and (7) miscellaneous cooperative societies. The General Directorate keeps records and statistics of all registered cooperative societies and cooperative *consortia* (partnerships) established according to law Number 422, of June 25, 1909. It also publishes studies on cooperative problems and a monthly review. As consulting body to the General Directorate, a Central Commission is established under the chairmanship of the General Director of Cooperatives, on which—in addition to the ex-officio members of the various ministries—five delegates represent the national federations, and a cooperative expert is appointed by ministerial decree to represent the cooperative societies not affiliated with any federation. The Central Commission selects an executive committee from its members.

Timely circulars containing not only informative news for cooperatives but very often important legal regulations are issued by the General Directorate of Cooperatives. The official interpretation of decree Number 1577, of December 14, 1947, came out in a lengthy circular—Number 24/1425 on April 2, 1948. Most of the circulars following the promulgation of the basic decree and its modifying laws not only interpret the correct adaption of the new legal provisions but also give the official instructions for the various prefectorates entrusted with the procedures of registration.

The relatively brief basic decree, containing only twenty-nine articles pertaining in great part to the supervision and inspection and to the state administration set up for these purposes, is not a general cooperative act. The important legal regulations for the operation of cooperative societies are still the valid provisions of the Civil Code of 1942.

The establishment of a cooperative credit system is also based on a progressive development of various laws. Several

cooperative congresses from 1896 to 1913 approved many resolutions for the establishment of cooperative credit institutions. Luzzatti submitted a bill to Parliament in February, 1910, proposing the constituting of a Labor and Cooperative Bank with a considerable capital subscription on the part of the state and of the Banca d'Italia. The draft was incorporated in a modified form into the decree of August 15, 1913, which provided for the organization of a National Credit Institute for Cooperation. In particular, this Institute granted loans to consumer cooperative societies. After ten years of operation during the fascist government, the Institute gradually changed its lending policy, ceased to deal only with cooperatives, and eventually became an organization of the so-called National Labor Bank. This institute maintained operations after World War II. However, there was a general demand that the cooperative movement should have its own special credit institute, as formerly constituted in the organization of the National Credit Institute for Cooperation.

Law Number 1421 of December 15, 1947, created a special credit section for cooperative societies in the organization of the National Labor Bank. This section has its own legal status, and its management and capital are separated from those of the Labor Bank. It grants loans to cooperative societies and their legally constituted federations and unions, except to credit, insurance, and building societies. The decree of April 26, 1950, extended the field of its activities to include agricultural credit. Since consumer and labor cooperative societies predominate in Italy (about 12,000 out of 25,000), these societies received the largest share of loans extended by the Cooperative Credit Section of the National Labor Bank in the first three years of its operation (1948-1950).

The separate capital for this purpose was furnished in the main by the state. The original capital of 500,000,000 lire was increased by law Number 252, of April 2, 1951, to 2.5 milliard

lire. From this sum, 2.3 milliard was contributed by the state, 135 million by the National Labor Bank, and 65 million by the Credit Institute of Italian Savings Banks. The state guarantees 70 per cent of any losses, but not a sum exceeding 2 milliard lire. The management committee is appointed by a decree of the Ministries of the Treasury and of Labor and Social Security acceptable to the Minister of Industry and Trade. The Cooperative Credit Section operates through the branch offices and agencies of the National Labor Bank and of the Credit Institute of Italian Savings Banks.

The state also grants a special subsidy for the National Institute of Rural Banks. Law Number 1011, of July 10, 1952, assigned 20 million lire for this purpose for the fiscal year 1952-1953.

Often special regional laws and decrees are issued by the provinces, especially in Sicilia and Sardegna.

Commercial Code (Chapter IX, Section 7, Articles 219-228)—January 1, 1883.

Law amending the law of February 17, 1884, on the general state finances—July 11, 1889.

Law concerning the tax on registration—May 20, 1897.

Law on the stamp tax—July 4, 1897.

Law converting the Royal Decree on April 5, 1900, into a law increasing the bonus for the distillation of wines, and providing in favor of makers of second-class spirits and of cognac—December 29, 1901.

*Law modifying Article 4 of the law of July, 1889, regarding cooperative productive societies contracting for public works—May 12, 1904.

Law making provisions in favor of the wine industry—July 11, 1904.

Law making provisions for cooperative societies taking part in public competitions—April 19, 1906.

*Law making provisions in favor of small agricultural cooperative societies and small agricultural associations for mutual assurance—July 7, 1907.

*Law on federation of productive and labor cooperative societies—June 25, 1909.

Law modifying the financial regime with regard to distilleries—July 11, 1909.

Law concerning the administration of provincial agricultural credit banks by the Savings Bank Department of the Bank of Naples and the agricultural section of the Bank of Sicily—February 2, 1911.

*Decree approving the rules for cooperative societies and their consortia admitted to public adjudication—February 12, 1911.

Decree approving regulations for the administration of provincial agricultural credit banks—June 4, 1911.

Decree reorganizing the Council for Social Insurance—October 20, 1911.

Decree making provisions for the foundation of the National Credit Institute for Cooperation—August 15, 1913.

Decree approving the formation of an Institute of Agricultural Credit in Liguria—September 3, 1913.

Decree concerning extraordinary measures for agricultural credit—October 11, 1914.

Decree taking measures for agricultural credit—June 17, 1915.

Decree authorizing agricultural credit institutions, ordinary savings banks and cooperative credit societies, and the unions and federations of agricultural societies to discount bills with the banks of issue—September 29, 1915.

Decree modifying former decrees regarding loans to agricultural credit societies and others—December 31, 1915.

Decree relating to the distribution of the dividends of commercial societies—February 7, 1916.

Decree concerning the credits of cooperative credit societies and others —May 21, 1916.

Decree concerning credit to agricultural associations—October 8, 1916.

Law converting into a law the decree of October 11, 1914, concerning extraordinary measures for agricultural credit—January 4, 1917.

Decree postponing certain dispositions regarding loans to agricultural credit societies and others—February 25, 1917.

Decree making an advance of twenty million lire to agricultural credit institutions for advances to agriculturists increasing their area under cereals—June 28, 1917.

Decree to facilitate the obtaining of credit by agricultural societies for the purpose of growing cereals—July 26, 1917.

Decree concerning subsidies to cereal production—August 19, 1917.

Decree law on agricultural credit in Sardinia—August 23, 1917.

Decree law concerning concessions of tenancy to agricultural cooperative societies for production and labor of state land and fishery rights in public waters—September 20, 1917.

Decree law concerning credit to agricultural associations in Latium—October 4, 1917.

Decree repealing certain dispositions regarding agricultural credit—October 4, 1917.

Decree law crediting the Minister of Industry and Commerce and Labor with 50,000 lire for financial purposes 1917-18—December 30, 1917.

Decree concerning agricultural credit in southern Italy—January 14, 1918.

Decree increasing the credits opened for advances to agricultural credit institutions—April 14, 1918.

Decree opening a competition with prizes amongst cooperative societies of lemon growers proposing to manufacture citrate of calcium—April 14, 1918.

Decree making provisions to facilitate credit to autonomous consumers' organizations duly recognized and to legally constituted cooperative societies and their federations—May 26, 1918.

Decree law abrogating and replacing the decree of October 4, 1917, making provisions for credit to the agriculturists in Latium—July 14, 1918.

Decree increasing the credit opened for advances to agricultural credit institutions with a view to encouraging food production—July 14, 1918.

Decree law concerning a fixed system of letting arable lands belonging to the provincial, communal, or other public bodies to legally constituted agricultural cooperative societies—August 4, 1918.

Decree approving the rules for the election, renewal, and conduct of the delegate committee and of the administrative council of compulsory association of the Sicilian sulphur industry—August 15, 1918.

Decree providing funds for the expenditure of the Treasury, 1918-19—September 14, 1918.

Decree further increasing credits for food production—September 15, 1918.

Decree concerning the rules of the association of importers of coffee—September 21, 1918.

Decree law concerning the constitution and the recognition of industrial associations—October 27, 1918.

Decree assimilating the Consumers' Institutes of Servants of the States to consumers' communities and groups—November 8, 1918.

Decree concerning the repayment of deposits in credit institutions in invaded districts—November 17, 1918.

Decree concerning the zoo-technical associations of cattle and buffalo breeders—November 21, 1918.

Decree approving the legal regulations for the conduct and functioning of national works by ex-service men—January 16, 1919.

Decree law concerning the model rules for the execution of the government public contracts—February 6, 1919.

Decree abrogating the provisions of the decree of March 24, 1918, concerning the raising of the capital of joint-stock companies—April 24, 1919.

Decree creating at the Ministry of Agriculture and Commerce a higher council of credit—June 15, 1919.

Decree providing measures for the allocation of credits from the state treasury to cooperative societies, consumers' institutions, and organizations for the purchase, storing, and distribution of necessities—July 24, 1919.

*Decree law fixing the methods of organizing agricultural associations for mutual insurance and making other provisions in their favor—September 2, 1919.

Decree law making provisions for the renewal of the councils of associations for the improvement of property—November 9, 1919.

Decree providing for the reconstruction of creamery societies in the liberated provinces—January 26, 1920.

Circular of the Minister of Liberated Areas on the reconstruction of creamery societies—February 6, 1920.

Decree approving the regulations for the application of the decree law of September 2, 1919—February 26, 1920.

Decree regarding the supervision of agricultural credit institutions of the Basilicate—February 27, 1920.

Decree law authorizing a modification of agricultural credit law—March 7, 1920.

Decree law increasing the grant credit for cereal growing and making additional dispositions regarding agricultural credit in Capitanata—March 13, 1920.

Decree law providing for financing reconstruction associations and labor cooperative societies in the new provinces for the restoration of devastated areas—April 3, 1920.

Decree law providing for land loans to associations of agricultural laborers—April 22, 1920.

Decree law authorizing the formation of a consortium of savings banks and popular banks in Venetia to carry on agricultural credit services—May 4, 1920.

Ordinance of the Commissioner of Venetia regarding credit to consumers' societies and their consortia—July 3, 1920.

Law converting to a law the decree of May 13, 1915, concerning the date of formation of agricultural credit institutions in the Marches and Umbria—September 21, 1920.

Law authorizing the expenditure of 300 million lire on carrying out public works—September 26, 1920.

*Law making provisions facilitating credit to labor cooperative societies and to their federations—September 26, 1920.

Decree law authorizing the National Institute of Cooperative Credit to employ in credit operations the fund of 20 million lire granted by the decree of July 24, 1919—November 7, 1920.

Decree approving regulations for the functioning of the land and agrarian credit section of the National Institute of Cooperative Credit—November 14, 1920.

*Decree approving the law on concessions of land—December 15, 1921.

Decree modifying the statutes of the Agricultural Credit Bank of Latium—December 28, 1920.

Decree making new provisions for the reconstruction of creamery societies in the liberated provinces—February 5, 1921.

Royal Decree Number 312 concerning fisheries (Articles 48-51 of the consolidating text pertain to fishermen cooperatives)—March 24, 1921.

Law concerning the National Institute of Cooperative Credit—April 7, 1921.

Law concerning credits to consumers' cooperatives—April 7, 1921.

Law making provisions regarding the National Institute of Cooperative Credit—April 7, 1921.

Decree regulating consumers' cooperative societies—June 25, 1921.

Decree making provisions regarding the National Institute of Cooperative Credit—July 31, 1921.

Decree modifying the decree of February 6, 1919, on the model rules for carrying out public works—February 12, 1922.

*Decree law concerning the regulations facilitating credit to autonomous consumers' organizations and to cooperative societies and their federations—February 16, 1922.

Decree approving the statutes of the National Institute of Cooperative Credit—February 19, 1922.

Decree approving the unified text of laws on agricultural credit—April 9, 1922.

Law authorizing the government to modify the dispositions regarding agricultural credit—July 6, 1922.

Decree modifying the regulations on the work of the section for land and agricultural credit in the National Institute of Cooperative Credit—August 21, 1922.

*Decree making provisions for reorganizing the Central Cooperative Commission—October 29, 1922.

Decree making provisions for the registration of professional organizations—October 29, 1922.

Decree approving the rules for the organization, functioning, and inspection of agricultural associations provided by the law of August 4, 1894—October 29, 1922.

Decree law modifying the organization of the National Institute for Cooperation—December 2, 1923.

*Decree making provisions to ensure the observation of the law on registration—December 30, 1923.

Decree providing fiscal facilities in favor of the National Institute of Cooperative Credit—December 30, 1923.

Decree concerning agricultural credit—December 30, 1923.

Decree making regulations concerning the national work of ex-servicemen—December 31, 1923.

Decree concerning the supervision exercised by the political authorities of the province over associations or corporations maintained by workmen's contributions—January 24, 1924.

Decree respecting the new statutes of the Sicilian Farmers' Association and the Acclimatization Gardens belonging to them—January 27, 1924.

Decree law taking supplementary measures regarding agricultural credit —March 4, 1924.

Decree law on mutual associations against damage to livestock by criminal acts—August 8, 1924.

Decree approving the statutes of the National Institute of Cooperative Credit in Rome and the autonomous Land Credit Section—September 11, 1924.

Royal Decree law Number 1825 on collective labor unions—November 12, 1924.

Decree establishing the maximum interests charged in agricultural credit institutions—December 24, 1924.

Decree law modifying a previous decree on the National Institute of Cooperative Credit—January 8, 1925.

Decree concerning the powers of the Agricultural Credit Institute of Central Italy—February 3, 1925.

Royal Decree law Number 966 of April 29, 1923, as converted by the law Number 473 on mutual insurance—April 17, 1925.

Decree approving the new statute of the National Institute of Agricultural Mutual Aid in Rome—April 23, 1925.

Decree regarding the Agricultural Credit Institute of Central Italy—June 8, 1925.

*Decree extending to the new provinces the laws on cooperative societies—August 7, 1925.

*Decree law with respect to consumers' cooperative societies—September 17, 1925.

Decree extending to the new provinces, decrees respecting agricultural cooperative insurance associations—January 3, 1926.

Law Number 562 concerning the voting rights of the members of the consumer cooperatives—March 18, 1926.

Decree respecting the transformation of district agricultural consortia into agricultural associations and their investiture as corporative bodies—May 27, 1926.

Decree law concerning the organization of general warehouses—July 1, 1926.

*Royal Decree law Number 1554 and Number 1840 relating to the liquidation of consortia and cooperative societies—August 13, 1926.

*Decree law amending the law with regard to credit institutions—September 7, 1926.

Decree approving the rules of the provincial Fascist federations of syndicates of agriculturists, and of provincial syndicates of agriculturists —December 12, 1926.

Royal Decree law Number 2174 concerning commercial licenses (Article 3)—December 16, 1926.

Decree law concerning the control of the working of cooperative societies and the foundation of a National Institute of Cooperation—December 30, 1926.

Decree concerning the legal recognition of associations of rural banks, of agricultural banks, and auxiliary bodies—December 30, 1926.

Decree law fixing the limitations of shareholding in cooperative societies—February 10, 1927.

Decree making temporary dispositions with regard to declarations and obligatory syndical contributions for the year 1927—February 24, 1927.

Law making law the Royal Decree law of July 1, 1926, concerning the use of the words "mutual" and "popular" by credit establishments—April 14, 1927.

Decree assimilating the business of cooperative enterprises to those of syndicates—May 19, 1927.

Decree conferring legal personality on the National Fascist Federation of Producers of artificial textiles, pottery, and similar products, also chemicals for agricultural purposes—May 19, 1927.

Law converting into law the Royal Decree of August 13, 1927, making arrangements for the liquidation of consortia and cooperative societies—June 16, 1927.

*Decree law making dispositions relating to the organization of agricultural credit in the kingdom—July 29, 1927.

Decree law making arrangements for the improved functioning of hydraulic consortia and improvements in tenure—October 27, 1927.

Law converting into law the Royal Decrees of 1924 and 1925 concerning the use of the term "popular" on the part of societies that have not been constituted under the cooperative form—December 15, 1927.

Decree approving the act constituting a National Consortium of Agricultural Credit for improvements—January 20, 1928.

Decree regulating the execution of the Royal Decree law of July 29, 1927, on the organization of agricultural credit—January 23, 1928.

Law converting into law the decree of October 23, 1927, relating to agricultural credit in Tripolitana—February 2, 1928.

*Decree approving the rules of the National Consortium of Agricultural Credit for improvements—March 19, 1928.

Decree authorizing the Institute of Land Credit for the district of Trent to continue to provide mortgage credit and approving the rules of the said institute—May 10, 1928.

Royal Decree law Number 1892 (Article 2) of October 23, 1927, as converted by the law Number 910, containing special provisions for building cooperatives in case of their liquidation—June 2, 1928.

Decree modifying the decree of January 23, 1928, approving regulations for the execution of the Royal Decree law organizing agricultural credit in the kingdom—June 18, 1928.

Law Number 1760 concerning financial provisions for small proprietors—July 5, 1928.

Law converting into law with amendments, the Royal Decree law concerning the organization of agricultural credit in the kingdom—July 15, 1928.

Decree law modifying the decree law of July 29, 1927, concerning organization of agricultural credit—July 29, 1928.

Decree approving modifications in the rules of the National Consortium of Agricultural Credit for improvements—December 15, 1928.

Decree law concerning the reorganization of the National Labor Bank—March 18, 1929.

Decree approving the authorized text of the laws on savings banks and local credit organizations—April 25, 1929.

Decree making new provisions concerning agricultural improvements by consortia of landowners—September 13, 1929.

Decree concerning the formation in the Ministry of Agriculture of a Central Agricultural Credit Committee—May 10, 1930.

Royal Decree law Number 774 granting permission for general trade license—May 19, 1930.

Decree law concerning subsidies, now withdrawn, to special agricultural credit institutions—July 3, 1930.

Decree concerning the recognition of the National Fascist Federation of Commerce—July 24, 1930.

Decree law imposing penalties on commercial societies—October 30, 1930.

Decree postponing the repayment of rice loans to agricultural credit institutions—November 8, 1930.

Decree concerning compulsory syndical payments—December 1, 1930.

Decree law on the registration of consumers' societies—December 11, 1930.

Decree law making regulations for the syndical incorporation of cooperative societies—March 2, 1931.

Law converting into law the decree of December 4, 1930, concerning the fusion of the Cooperative Institute and the State Employees' Bank—March 20, 1931.

Law converting into law the decree concerning the incorporation of cooperative societies—June 4, 1931.

Law converting into law the decree making more efficacious the state supervision of cooperative societies—June 5, 1931.

Decree approving the statutes of the National Fascist Institute of Cooperatives—August 28, 1931.

Royal Decree Number 1608 concerning the responsibility on unpaid taxes in case of liquidation of cooperative societies (Article 45)—September 17, 1931.

Governmental decree instituting a special committee in the National Council of Corporations for labor, social insurance, and cooperative legislation—December 10, 1932.

Law Number 656 concerning the rules of rural and agricultural banks —June 6, 1932.

Royal Decree law Number 1901 relating to the liquidation of consortia and cooperative societies—December 14, 1933.

Law Number 186 modifying the law Number 656, dated June 6, 1932, concerning rural and agricultural banks—January 25, 1934.

Royal Decree law Number 218 concerning the National Fascist Institute of Cooperatives—January 29, 1934.

Royal Decree Number 599 approving the new statutes of the National Fascist Institute of Cooperatives—March 22, 1934.

Royal Decree Number 1909-1916 concerning legal recognition for various national fascist federations of cooperatives of agricultural labor and approbation of statutes thereof—August 16, 1934.

Royal Decree law Number 2275 concerning the National Fascist Institute of Cooperatives in relation to taxation—December 20, 1934.

Law Number 891 concerning the conversion into law of Royal Decree Number 2275, dated December 20, 1934—April 29, 1935.

Royal Decree law Number 1989 concerning the reform of the rules for rural and agricultural banks—October 17, 1935.

Royal Decree law Number 735 granting exception for certain cooperatives under state supervision—March 12, 1936.

Law Number 1231 concerning cooperatives for processing of agricultural products (Article 29)—June 8, 1936.

Royal Decree law Number 1579 concerning the new system of financing for the National Federation of Cooperatives and for the National Fascist Institute of Cooperatives—June 8, 1936.

Ministerial Decree for the execution of the Royal Decree law Number 1579, dated June 8, 1936—August 21, 1936.

Royal Decree Number 1454 modifying the statutes of the National Fascist Federation of Cooperatives—July 1, 1937.

*Constituting text (T.U.) Number 1706 concerning rural and artisans' banks—August 26, 1937.

*Law Number 141 concerning the conversion into law of Royal Decree law Number 735, dated March 12, 1936—March 7, 1938.

*Law Number 636 concerning the supervision executed by the Banca d'Italia in credit affairs—April 7, 1938.

*Royal Decree Number 1165 concerning building cooperatives—April 28, 1938.

Royal Decree law concerning the reform of the rules for agricultural consortia (partnerships)—September 5, 1938.

Law Number 762 concerning cooperatives for processing of agricultural products (Article 5)—June 19, 1940.

Law Number 1540 concerning building cooperatives—December 5, 1941.

Royal Decree law Number 2 concerning special funds of (cooperative) societies—January 8, 1942.

*Royal Decree Number 267 concerning bankruptcy. (Article 151: exception for cooperatives)—March 16, 1942.

Royal Decree Number 239 concerning the distribution of shares (Article 5)—March 29, 1942.

*Royal Decree Number 262 dated March 16, 1942: Code Civil (Title VI, Articles 2511-2545): (cooperatives). In force since April 21, 1942 (approved by Royal Decree Number 318, dated March 30, 1942).

Law Number 566 concerning agricultural consortia (partnerships)—May 18, 1942.

Law Number 1251 concerning the conversion into law of Royal Decree law Number 2 dated January 8, 1942—October 2, 1942.

Ministerial decree concerning the approbation of the rules of the federations of agricultural consortia (partnerships)—December 28, 1942.

Law Number 290 concerning building cooperatives—March 25, 1943.

Royal Decree law Number 452 concerning cooperatives for processing agricultural products (Article 11)—June 3, 1943.

*Provisional decree law Number 279 concerning membership requirements in certain cooperative societies—October 19, 1944.

Provisional decree law Number 425 concerning building cooperatives—November 16, 1944.

*Decree law Number 141 concerning the increase of the minimum capital of cooperative societies—April 5, 1945.

Provisional decree law Number 413 concerning building societies—May 25, 1945.

*Law concerning the suspension of the National Fascist Institute of Cooperatives—April 9, 1946.

Provisional decree law Number 240 concerning cooperatives having disabled veteran-members—April 26, 1946.

*Provisional decree law Number 597 concerning uncultivated or undercultivated lands—April 26, 1946.

*Decree law Number 89 concerning uncultivated or undercultivated lands—September 6, 1946.

*Decree law Number 399 concerning building cooperatives—May 8, 1947.

Decree law Number 885 concerning disabled veterans—September 3, 1947.

*Decree law Number 1174 concerning building cooperatives—September 30, 1947.

*Decree law of the provisional head of the state Number 1577, pertaining to regulations for cooperatives—December 14, 1947. Modifications and amendments:

Law Number 285: May 8, 1949.
Law Number 114: March 13, 1950.
Law Number 695: August 10, 1950.
Law Number 302: April 2, 1951.

*Decree law Number 1421 concerning the status of the Special Cooperative Section of the National Labor Bank—December 15, 1947.

*Decree law Number 1200 concerning building cooperatives—December 22, 1947.

Decree law Number 1710 concerning uncultivated or undercultivated lands—December 27, 1947.

Decree law Number 114 concerning special financial provisions for agricultural cooperatives—February 28, 1948.

*Decree law Number 1235 concerning the denomination of agricultural consortia (partnerships)—May 7, 1948.

Law Number 45 concerning the increase of minimum capital of cooperative societies—February 15, 1949.

*Law Number 408 modifying Article 38 of the consolidating text (T.U.) Number 1165, dated April 28, 1938—July 2, 1949.

Law Number 1051 extending the term for transformation of the statutes and rules of cooperative societies according to the provisions of the Code Civil, 1942—December 19, 1949.

Decree authorizing the Special Cooperative Section of the National Labor Bank to extend agricultural credit—April 26, 1950.

*Law Number 715 containing instructions for building activities—August 10, 1950.

Law Number 112 modifying the provisional decree laws Number 425 (dated November 16, 1944) and Number 413 (dated May 25, 1945) concerning building cooperatives—January 4, 1951.

Law Number 252 raising the capital of the Special Cooperative Section of the National Labor Bank to 2,500 million lire—April 2, 1951.

*Law Number 253 granting 5 million lire for the National Institute of Rural and Agricultural Banks—April 2, 1951.

Law Number 1011 granting 20 million lire for 1952-53 for the National Institute of Rural and Agricultural Banks—July 10, 1952.

*Law Number 1974 modifying the decree law Number 426 dated April 9, 1946, concerning the suspension of the National Fascist Institute of Cooperatives—November 15, 1952.

Law Number 2377, Article 1—December 22, 1952.

Regional legislative provincial decrees:

Sarda-Sardegna:

Regional law Number 4 constituting a cooperative fund—November 11, 1949.

Regional law Number 47 for favoring cooperatives and other associations of agricultural producers—November 9, 1950.

Decrees of the President of "Giunta" Numbers 29 and 30 for the execution of the regional law Number 4, dated November 11, 1949—November 28, 1950.

Regional law Number 65 for favoring handicraft and fishery—November 28, 1950.

Regional law Number 68 for favoring the artisans' activities—December 14, 1950.

Regional law Number 70 creating a fund to support artisans—December 15, 1950.

Regional law Number 7 concerning cooperatives—March 24, 1952.

Regional law creating a fund for supporting cooperatives—July 16, 1952.

Sicilia:

Regional law Number 4 providing state financial support for cooperative societies—January 10, 1951.

Presidential Decree law Number 6 instituting a regional cooperative commission—March 29, 1951.

LUXEMBOURG

SINCE 1875, the rapid development of agricultural cooperative associations in Luxembourg has been followed by legislative regulations. Various types of agricultural cooperatives were organized. Drainage and irrigation associations (associations syndicales) were the first to be legalized by an act dated December 28, 1883. The objectives of such associations include, in addition to irrigation and drainage, protection against both navigable and nonnavigable rivers (flood control); the maintaining of canals by cleaning and deepening; the draining of swamps; sanitation of wet and unhealthy land; the operating of roads; and other improvements serving the community interest.

These associations may be established either as independent or authorized organizations. The independent associations are organized without the intervention of the state (Administration of Agricultural Services). They are created in view of the execution of certain works of needed amelioration, of which the costs are born in accordance with previous agreement by the members. The act also provides what regulations are to be included in the rules. The rules of the association must contain the name and location of the association; the purpose of the

enterprise; and the exact designation of the land-parcels adjoining it. The duration of the association, the obligations of the associates, the voting rights, the election and composition of the administration (management), the mode of calling the general meeting, changes in the rules, resignation of members, the method of providing necessary expenses—all must be set down in the rules.

All the independent syndicates may be transformed into authorized syndicates. These are constituted by the intervention of the Administration of Agricultural Services. The members may be compelled to entirely or partially give up the land if needed for the execution of necessary works of amelioration of collective interest. The costs will be charged to the members. The director submits the plans and projects to the assembly, which approves the special objectives, determining also the means for meeting the expenses. Resolutions will be adopted by the majority of associates, representing at least two thirds of the area of the participating lands, or if two thirds of the interested representatives owning more than half of the lands give their consent.

In 1891, a special law provided for the formation of mutual benefit societies. These, like the British Friendly Societies, supply, according to their objectives, their members with medical aid, medicines in the case of sickness, temporary unemployment relief, funeral expenses, and after-death grants to the family. They can make loans for special purposes, such as transportation expenses if the member is moving to another area, or even in case of natural disaster, such as crop damage by hail, perishing of livestock, etc. The establishment of the rules of these mutual benefit societies was regulated by a special order, also dated 1891. This specified the objectives for which these societies may be formed. It also prescribed for forwarding during the first two months of each year to the state administration a list of members (with age and sex), containing the number, nature,

and duration of illnesses, the number of deaths and their causes.

The first general cooperative act relating to agricultural associations was passed in 1900. This was generally revised in 1945, the act now providing the present legal status for agricultural cooperatives. Such associations can be organized for the purpose of common purchasing of goods needed for the maintaining of agri- and viniculture (seed, feed, fertilizer, fungicides, tools, livestock, machinery, etc.) or for the common sale of agricultural products (marketing associations). Associations may be organized under the provisions of this act (Article 1) for common use of machine equipment or other installations, or for establishing of savings and credit. The operation of these agricultural associations is not defined by the regulations of the general Commerce Act.

The minimum number of members is five, and the shares are not transferable. The statutes, or rules, according to Article 5, regulate the organization and management of the associations. The rules contain the name and location of the association, its purpose(s), the composition of the associations' funds, and the proportion in which each member will contribute.

Additional obligatory dispositions are contained in Article 7 as follows: (1) duration of the association, which might be unlimited; (2) administration and control of the association, including the duties of directors, managers, commissioners, and the term of their mandate; (3) dismissal or expulsion of members; (4) rights and duties of members; (5) method of calling meetings, required majority in voting, method of voting, with the understanding, however, that a member can have no less than one nor more than three votes; (6) modification or amendment of the statutes and dissolution of the association; and (7) extent of the liability of the members.

If the statutes (rules) do not provide contradictory regulations, the following rules are applicable, according to Art-

icle 8: (1) duration of the association is limited to thirty years; (2) the association is managed by a committee composed of a president and at least two members elected by the general meeting for a term of three years. If the association has more than fifty members, a supervisory board must be elected by the general meeting, with at least three members for a three-year term, who must not be affiliated with the association. They can participate in the committee with consultative but not voting rights; (3) the committee meets as often as necessary. It may call a general meeting at any time. It must, however, call a general meeting if one fifth of the members should request it in writing and give the reason for it; (4) these calls for general meetings are personal and written. They may take the form of a collective list circulated among all members. At least eight days shall elapse between the calling and holding date of the meeting. The order of the meeting has to be given with the call. All proposals signed by one fifth of the members must be included in the order. Any proposals not included in the order cannot be discussed or approved legally. Members are authorized to represent other members, but never more than two. The general meeting, except in cases where it is called for amendment or modification of the statutes, acts validly without regard to the number present. All members have equal voting rights. Decisions will be approved by a majority vote of members present or represented; (5) the liability of the members is limited to the amount of their subscriptions (shares). The association can't distribute profit in any case. Refunds, however, based on the participation of the members, are not considered as profit (Article 9).

The general meeting cannot legally deliberate on the amendments of the statutes (rules) unless the objectives of these are specifically indicated in the call of the meeting. Two thirds of the members must be present or represented. If this condition is not fulfilled, a second meeting may be called, which can

make decisions regardless of the number of members present. Each member has as many votes as he has shares in the society. Furthermore, he may represent two other members (Article 10).

Persons wishing to become members must sign an application form. The admission will be considered by the committee within one month. In case of a refusal, the applicant must be notified by registered letter within eight days (Article 11). The association must keep a register indicating the name of members; their professions and places of residence; the date of admission, resignation, or expulsion; the amount of their shares and allocations (Article 12).

The control and supervision on the part of the state concerning the management of agricultural associations and their federations will be exercised through the government organization for "Agricultural Services."

This reformed act of agricultural associations was enacted on September 17, 1945. It abrogated or revised the regulations of the general act of 1900, of the special act for civil personality of stock-breeding and horticultural associations (dated August 6, 1921), and of the act conferring civil personality on associations aiming at the creation and administration of Savings and Credit Banks (dated June 26, 1927).

Article 21 of the 1945 act granted a one-year term for the modification of the former rules according to the new provisions. This term, however, was prolonged by an additional three-months period by an order issued on September 23, 1946.

The general legal provisions for all other types of cooperatives not under the regulation of the act on agricultural associations are included in the act on Commercial Societies. This legislation was enacted on August 10, 1915, and has been subsequently amended several times—1922, 1927, 1930, 1933, and 1948. Among the general dispositions according to the amendment of 1933, the act distinguishes six types of commer-

cial societies (Article 2). The sixth is the cooperative society for which the legal provisions are contained in Section VI: Articles 113-137. The cooperative society is established for specific designations and not for social purposes. It must have at least seven members (Article 114). The statutes of the society must explain the following points: (1) denomination and seat of the society; (2) the objectives; (3) the precise designation of members; (4) the manner in which the funds of the society are or will be formed and the immediate minimum subscription (Article 115). According to Article 116, the duration of the society cannot exceed thirty years. The rules have provided conditions for admission, resignation, or expulsion of the members and for the withdrawal of shares (deposits). They also contain regulations for the management concerning how and by whom the affairs of the society will be conducted and controlled; the mode of nomination and revocation of the managers, administrators, and commissioners, the extent of their power, and the duration of their mandate.

If the rules do not indicate the duration, the society exists for ten years (Article 117). All members have an equal vote at the general meetings. The calls for meetings are by registered letter signed by the management (administration). According to Article 117 (5), the surpluses and losses are divided each year by halves among the members in equal part, and the other half according to their shares.

The society must keep a register containing on the first page the statutes. Following this are: (1) the name, profession, and place of residence of each member; (2) the date of his admission, resignation, or expulsion; (3) accounts of his subscriptions (deposits) and the withdrawal; (4) date of controlling (revision) and the name of the comptroller (revisor) (Article 118). The member intending to resign must inform the society during the first six months of the business year (Article 120). Each member resigned or expelled is held per-

sonally responsible to the limits of his former shares for five years following publication of his resignation, or expulsion, except as provided otherwise by the rules (Article 126). Each year the management must make an inventory and balance and set up the accounts of the profits or losses in the form prescribed by Article 72 for all types of commercial societies.

The special act of August 30, 1918, sets up provisions for the control of cooperative societies. The auditing must be carried out each year by authorized revisors, who are not connected with the society. The revisor will be nominated by the government upon the request of the society. This right, however, might be transferred to the cooperative federations. The operation of nonprofit societies is regulated by the act dated April 21, 1928, which contains many similar provisions to those of cooperative societies. These nonprofit societies can be established by three persons. All the wartime restrictions affecting the operation of cooperative and other commercial societies were invalidated by the decree of August 5, 1946, which also provided for the re-establishment of societies dissolved between January 1, 1939, and September 10, 1944.

A ministerial order approved the rules of the Luxembourg Peasant Central in 1946. This organization promotes cooperative development in addition to representing the general agricultural policy of Luxembourg. Its members are not only individual producers, but also cooperative unions and central cooperatives. The so-called National Committee for Agriculture is a special representative body whose functions include, in particular, activities dealing with the cooperative movement and economic policy of Luxembourg.

*Law concerning "associations syndical" for drainage, irrigation, etc.—December 28, 1883.
*Law concerning associations for mutual benefit—July 11, 1891.
*Grand Ducal Order determining the rules of associations for mutual benefit—July 22, 1891.

Law on agricultural associations—March 27, 1900 (Revised in 1945).
*Law on commercial societies. (Section VI: cooperative societies)—August 10, 1915. Amendments: April 13, 1922; January 15, 1927; June 20, 1930; September 18, 1933; April 2, 1948.
*Grand Ducal Order concerning regulations for controlling cooperative societies—August 30, 1918.
Law according civil personality to stock breeding and horticultural associations—August 6, 1921 (abrogated by the law of September 17, 1945, Article 21).
Law conferring civil personality on associations aiming at the creation and administration of savings and credit banks—August 26, 1927 (abrogated by the law of September 17, 1945, Article 21).
*Law for nonprofit associations and public utility establishments—April 21, 1928.
Order establishing a Higher Council of Agricultural Cooperation—January 13, 1930 (abrogated).
*Grand Ducal Order concerning the purification of the administration and control of societies and associations with suspended representation and participation—October 8, 1945 (provisional order).
*Revision of the law on agricultural associations, dated March 27, 1900—September 17, 1945.
Modification of Article 21—September 23, 1946.
*Ministerial decree approving the rules of the Luxembourg Peasant Central—July 12, 1946.
*Grand Ducal Order for re-establishment of the Luxembourg societies dissolved between January 1, 1939, and September 10, 1944—August 5, 1946.

NETHERLANDS

IN the Netherlands, the cooperative movement is the subject of a special law for cooperative societies, enacted in November, 1876, and amended on May 28, 1925. Not all cooperatives, however, are registered under this act. Of a total of about 5,000 cooperatives, some 1,000 are organized under the regulations of the old act (1855) on companies and societies. Preference for the old act of 1855 was sometimes a consequence of the fact that in founding the cooperatives according to this legislation some people were of the opinion that the noncommercial interests under cooperatives were stressed. Other reasons for preferring the general act were of a practical type; notably that

the costs for passing the act were less expensive. The dairy cooperatives are organized according to the provisions of the specific cooperative act of 1876. Some 500 of the 1,300 farmers' credit banks are organized under regulations of the old act.

The internal situation of cooperatives is influenced by the important duality in public life, as effected by the separation of the population on a religious basis. Part of the cooperatives, *i.e.*, purchasing cooperatives in the southern part of the country where the Catholics predominate, have their own local, centralized, or federated associations. It is also in this part of the Netherlands, that the cooperatives founded according to the principles of the act of companies and societies of 1855 are found.

The government remains strictly neutral and does not provide any legal or other apparatus for the promotion of cooperation. One of the reasons for this is the fact that the middle class has a rather great influence in the principal political parties. On the other hand, the cooperatives are rather well developed and consolidated. In general, the leaders are eager for the strict independence of cooperatives from the government, being afraid that any other attitude may have adverse repercussions.

The cooperative act of 1925 defines the cooperative society as an association of persons who wish to promote their economic interest through joint economic actions as in production or the provision of credit or insurance. The instructions in the act are compulsory; but in most articles the possibility of deviation from the stipulations of the law is "expressis verbis" mentioned. In the main points the Dutch law is closely akin to the German law, with the difference that the German law is much more detailed; *e.g.*, in the German law the auditing is compulsory, while in the Dutch this point is not mentioned.

Because deviations from the articles of the law are generally allowed, the principal rules concerning the business operation

of any cooperative are laid down by the statutes (articles of incorporation) and bylaws of that cooperative.

The main point in the act is the provision regarding the financial liability of the members. How far the members are liable must be indicated in the name of the society. The liability may be unlimited, or limited. When there is any kind of liability, the time during which members and old members are liable may not be restricted to less than one year (the purpose of this rule is the protection of the creditor—nonmembers).

Since 1934, there has been a national organization of agricultural and the consumer cooperatives. This organization, the *Nationale Coöperatieve Raad,* is the representative body of the cooperative movement in the Netherlands. During the German occupation the *Nationale Coöperatieve Raad* was dissolved. The Germans established a new organization (*Nederlandsche Coöperatieve Raad*) and attempted to make membership in this organization compulsory for all cooperatives; but the leaders of the *Nationale Coöperatieve Raad* refused to collaborate. The purpose of this reorganization by the Germans was to dispose of a central organization, which might, through its supervision of the local boards of directors, prevent the effective functioning of pro-Nazi elements. After the liberation, this pro-Nazi organization was dissolved. On November 14, 1945, the *Nationale Coöperatieve Raad* was restored. The task of the *Nationale Coöperatieve Raad,* which operates on a strictly voluntary basis, is the "promulgation and defense of the cooperative idea, protection and promotion of the interests of the cooperative movement in the real sense"—as stated and pointed out in the newly amended statutes.

Civil Code—1838.
Commercial Code—1838.
Act on societies and companies—1855.
*Act on cooperative societies—November, 1876.
*Act on cooperative societies—May 28, 1925.

Ordinance Number 36 of the General Secretary of Agriculture and Fisheries and of the General Secretary of Industry, Commerce and Shipbuilding concerning the creation and functions of a central organization of cooperative societies in the field of supply—March 20, 1942.

Ordinance concerning cooperative associations—July 8, 1944.

Ordinance rescinding ordinance Number 36 of March 20, 1942, concerning the creation and functions of a central organization of cooperative societies in the field of food supply—November 14, 1945.

NORWAY

THE legal status of cooperative societies in Norway is regulated by the following general acts: the Commercial Law and the law on shareholding societies. Registration of cooperatives is also prescribed by the law on commercial register of firms and agencies. This requires cooperatives to submit the rules and statutes of their society, a list of the board of directors, and to report changes in the above.

Article 10 of the Commercial Law of March 8, 1935 (amended by the act of June 13, 1947) requires cooperatives to possess a trade license (letter of commerce) for commercial enterprises engaged in selling merchandise, banking, trading in bonds and stocks, or book publishing. The same permit is also required of consumer cooperatives. In order to obtain this permit the manager and at least one member of the board of directors must have certain legal qualifications: citizenship, be at least seventeen years of age, have two years of experience, have taken an examination at an authorized school, etc.

The law, however, guarantees an exemption to certain small cooperatives not employing a full-time manager and engaged in: (1) completing pooled purchase orders (such as buying clubs); and (2) marketing the products made at home by their members (home industry and handicrafts cooperatives).

For some time, the general legal provisions of the Commercial Law created certain handicaps for cooperatives. Trade licenses (letters of commerce) were granted only to a single rural or city community, and this restriction limited the expansion of the consumer cooperatives. If a cooperative society had more than one store in a community, sales were permitted only with members. The cooperative movement in Norway, through its cooperative union and wholesale society, N.K.L., demanded the abolition of these restrictions. As a result of this endeavor, cooperative societies (and also private enterprises) are permitted since October, 1951, to open any number of stores in the community of their headquarters or in any other place. They are still required, however, to have a "letter of commerce" for each store. The ban on the selling to nonmembers was also removed at that time, and cooperative societies are now allowed to sell to any consumer, whether a member of the society or not.

Similarly, the general act on shareholding societies (dated July 19, 1910, with several amendments), the act on insurance companies, etc. do not contain special provisions for cooperatives. Hence, their business administration must be conducted in much the same way as corporations or private firms.

In certain special acts, however, the importance of cooperatives is stressed; for example, the act for promoting the marketing of agricultural products. According to this act, a special committee is set up in which the N.K.L. is also represented.

Other acts relate to two important branches of the Norwegian economy, the dairy industry and the processing and marketing of raw fish. The last amendment to the act for marketing of fish and fish products (December, 1951) granted to the fishermen's cooperatives the possibility of controlling imports of fresh fish. Some other acts also include certain legal provisions having importance for cooperatives. Usually, however, these are very brief laws containing general instructions and do not influence the cooperative character of the societies.

Act on the Commercial Register of Firms and Agencies (Sections 8, 14, 19, 20, 21, and 23)—May 17, 1890.

Commercial Law—March 8, 1935, as amended June 13, 1947 (Sections 10, 14-28) and October, 1951.

Law on shareholding societies—July 19, 1910, and the amendments of July 26, 1916; July 28, 1921; March 24, 1922; July 21, 1922; April 4, 1924; June 21, 1929; February 27, 1930; March 24, 1933; April 8, 1938; December 24, 1940; September 23, 1941; January 14, 1943; and December 13, 1946.

Law on insurance societies—July 29, 1911, and the amendments of June 20, 1924, and June 1, 1928.

Law on taxation—August 18, 1911, with amendments.

Law on craftmanship—July 25, 1913 (Section 8).

Royal Decree setting up a committee on cooperation—February 10, 1922.

Act concerning dairy societies—June 25, 1936.

Act for promoting the marketing of agricultural products—July 10, 1936, as amended on August 2, 1946.

Act for marketing of raw fish—June 18, 1938, and the amendments of October 3, 1947; June 25, 1948; and June 30, 1949.

Act for marketing of fish and fish products—July 2, 1948, as amended on June 30, 1948, and December, 1951.

PORTUGAL

THE general legal status for Portuguese cooperatives is provided by the basic law of July 2, 1867, and by the Commercial Code of 1888 (Article 207 and following), the regulations of which were only slightly modified by later amendments. The characteristic principles remained as provided originally in these old laws. Cooperatives are distinguished from other forms of commercial companies and various enterprises by the variability of capital and by the unrestricted number of members. Dispositions were made concerning the limit of the interest of each member. According to an order dated September 6, 1922, no member may receive interest on more than $500. However, he might subscribe even a larger sum to the capital, on which he has no rights or interest on account of excess. A decree of 1927 fixed the maximum amount of capital any one member may subscribe

in a cooperative. Voting right is limited, and method of representation is also provided by the basic laws.

Special laws and decrees contain regulations for the establishment of various forms of agricultural cooperatives. The decree law of 1911—amended by law Number 215 of 1914, relating to agricultural credit—established agricultural credit banks on a cooperative basis. These cooperative banks have unlimited membership, and the members' liability may be limited or unlimited, as provided by the rules of the individual banks. The required minimum membership is ten. The cooperative banks make available various types of loans for the members, but these members must be agriculturists. Loans for a short term up to twenty-four months are available for buying seed, fertilizer, machinery, and implements for agricultural production. Long-term loans up to fifteen years are granted for buying land or for making larger production improvements or construction building on a mortgage basis not exceeding 50 per cent of the value of the mortgaged property or not exceeding 25 per cent when the loan is not covered by a mortgage. The cooperative banks may receive state loans and accept deposits from members and others.

Laws regulating the maximum amount of loans, their interest rates, and the interest on deposits were modified several times by amending decrees. The state controls the business activities of the cooperative banks. They are entitled to form district federations and institute a central cooperative bank. Also, an Institute of Agricultural Credit (*Junta*) was organized to act as an intermediary between the cooperative credit banks and the Bank of Portugal, which handles the special credits put at the disposal of cooperative banks by the state. The latest legal dispositions concerning credit cooperatives are included in the provisions of law Number 1894, dated April 11, 1935. The cooperative credit banks work closely with a special form of organizations of the agriculturists in Portugal. These are

the agricultural syndicates, which are not special cooperatives, although they do some collective buying of seed and other implements. They are subsidized by the state and enjoy certain tax-exemption privileges and even reduced railway freight tariff.

Further legal provisions for encouraging the establishment of agricultural cooperatives and agricultural and stock-breeding mutual insurance companies in the interest of intensification and of development of agricultural production were issued by the decrees Number 4022, dated March 29, 1918, and Number 5219 of January 8, 1919. The former law regulates the establishment of agricultural cooperatives and mutual agricultural and cattle-raising cooperatives.

Under this decree a number of new credit operations were added to the enumeration included in Article 3 of law Number 215 of June 30, 1914, as follows: the purchase of fertilizer, seed, insecticide, machinery, tools, etc., either for the supply of their own needs or of the agricultural or cattle-raising enterprises or associations themselves; the purchase of agricultural produce to be utilized by their members; the purchase of buildings needed by the association for its installations or the operation of any of its activities.

Agricultural associations referred to in paragraph 1 of Article 1 of law Number 215 of 1914, will be agricultural cooperatives with an unlimited number of members and having as a basic purpose all aspects of cooperation for the production, transport, and sale of the products of its own production or of the production of its members.

Decree Number 5219 of January 8, 1919, approves the statutes of the credit and social agricultural organizations, including mutual agricultural credit organizations and the agricultural and cattle-raising syndicates and unions.

In this decree detailed provisions are made for the different aspects of the establishment, organization, and operation of the

mutual agricultural credit organizations, of the social agricultural credit organizations, of the social agricultural institutions, and of the cattle-raising syndicates as well as of their unions; thus providing detailed regulation for the operation of the system based upon the general rules established by decree Number 4022 and by law Number 215.

This decree is a very extensive one including 773 articles. The model of the statutes and instructions for the formation of such agricultural cooperatives and mutual insurance companies was approved by order Number 3262 of July 13, 1922, which facilitated considerably the development of these cooperative institutions.

So-called cooperative savings associations were established by decree Number 4137 of April 24, 1918, and amended by decree Number 16,055 of October 12, 1928. Special exemption of the industrial tax was granted to the consumers' and producers' cooperatives in 1929. However, decree Number 22,513 of May 12, 1933, stated that the exemption of consumers' and producers' cooperatives from the industrial tax applies only when these associations deal exclusively with their members. The financial supervision of such tax-exempt cooperatives was assigned to the office of the Inspector General of Finance, according to the provisions of decree Number 29,214 of December 6, 1938.

The state assists legally and even in the form of special financial or credit subsidies the establishment of cooperatives, primarily in the sphere of agriculture. On the other hand, she also controls their activities through authorized representatives. Decree Number 35,465 of January 23, 1946, authorized the General Administration of Agricultural Services to assign delegates with the approval of the minister to the governing bodies of agricultural cooperatives and stock-breeding mutual insurance companies.

Decree Number 37,751 of February 4, 1950, encourages the fishing companies to further the organization of consumers' and producers' cooperatives among their members.

In addition to the special legislation pertaining primarily to agricultural cooperatives, the basic legal status for cooperatives is generally still provided by the old laws of 1867 and 1888. The cooperatives feel these relatively old regulations to be very satisfactory to the present time, and no effort has been made to alter or significantly modify any of their provisions.

Law on commercial societies (regulations relating to the constitution of cooperative societies)—June 2, 1867.

Commercial Code (Article 207 and following)—August 23, 1888.

Law on agricultural syndicates—April 3, 1896.

Law for the encouragment of agriculture—September 18, 1908.

*Decree law on agricultural credit—March 1, 1911.

Law Number 215 on agricultural credit—June 30, 1914.

*Law Number 599 authorizing cooperative societies and constituting mutual benefit and insurance societies—June 14, 1916.

Decree making various provisions for the promotion of agriculture in the Province of Cape Verde—August 18, 1916.

Decree Number 2633 approving the regulations for the constitution of stock-breeding syndicates—September 20, 1916.

Decree approving the organization of agricultural credit in Cape Verde —October 8, 1917.

Decree Number 3474 applying law Number 215 on agricultural credit to the island—October 22, 1917.

Amended decree approving the organization of agricultural credit in Cape Verde—October 24, 1917.

Order authorizing the Minister of Labor to make loans to consumers' cooperative societies to a total of $500,000 with the object of assisting such societies in ameliorating the economic crisis—November 27, 1917.

*Decree Number 4022 making provisions for cooperative agricultural societies, agricultural mutual insurance and stock-breeding, and the development of any methods tending to augment agricultural production—March 29, 1918 (amended April, 1918).

Decree Number 4137 regulating the establishment of cooperative savings associations—April 24, 1918.

Decree Number 4523 approving the regulation of agricultural credit and other associations—May 30, 1918.

Decree dividing the country, continental and insular, into five areas for the purpose of the inspection of agricultural associations—June 29, 1918.

Decree regulating the constitution of commercial companies—July 4, 1918.

Revised edition of the above decree—July 9, 1918.

*Decree Number 5219 approving the regulation of credit and agricultural social institutions, mutual agricultural credit banks, and stock-breeding syndicates and their federations—January 8, 1919.

Order concerning instructions and model rules for agricultural mutual credit banks—February 27, 1919.

Decree regulating the regime of overseas banks—May 30, 1919.

Order laying down model rules and instructions for the organization of agricultural syndicates, stock-breeding syndicates, and unions and federations of the foregoing—June 9, 1919.

Decree Number 6893 according subsidies to peasants and to syndicates, to cooperative and other societies for mechanized cultivation for the purchase of machinery—September 6, 1920.

Decree concerning credits to agricultural mutual credit banks—September 10, 1920.

Law Number 1199 regulating the granting of credits to mutual agricultural credit associations and the formation of mutual assistance associations for stock-breeding—September 2, 1921.

Decree Number 7718 providing regulations for the application of law Number 1199—September 27, 1921.

Order setting out model rules and instructions for organizing agricultural and stock-breeding syndicates—January 3, 1922.

*Order Number 3262 laying down model rules and instructions for the organization of agricultural cooperative societies and agricultural and stock-breeding mutual assurance societies—July 13, 1922.

Order laying down that, according to Article 212 of the Code of Commerce, no member of a cooperative society may receive interest on more than $500, but that nothing shall prevent him from subscribing a larger sum on condition that he has no rights or interest on account of the excess, and that this clause be expressly stated in the constitution—September 6, 1922.

Decree laying down the basis of valuation of agricultural mutual credit —October 27, 1922.

Order granting the necessary authorization to agricultural associations in the rich wine-growing regions of the Douro to federate—July 24, 1923.

Decree authorizing mutual aid societies to increase their membership subscription by 300 per cent—August 6, 1923.

Decree altering the discount rates of mutual agricultural credit banks—June 7, 1924.

Decree authorizing legally constituted vocational associations to group themselves into federations or unions to which may be granted, after

their registration, civil status for all legal purposes and especially for the arrangement of contracts for collective work—December 27, 1924.

Decree authorizing class associations or professional syndicates to augment their subscriptions—January 9, 1925.

Decree publishing provisions respecting the estimated value of immovable property offered for the constitution of the credit of the cooperative agricultural credit banks—December 11, 1926.

Decree modifying the decree on the activities of banks and exchanges—March 24, 1927.

Decree modifying the law on agricultural mutual credit—May 31, 1927.

Decree Number 13,734 providing further dispositions for the constitution or modification of agricultural associations—June 6, 1927.

Decree Number 14,080 fixing the maximum capital which each member may subscribe to a cooperative society—August 11, 1927.

Decree making certain regulations with regard to agricultural credit operations—August 30, 1927.

Revised publication of Article 5 of the decree modifying the law on agricultural mutual credit—December 8, 1927.

Decree granting further delay in the payments of loans already made by the General Bank of Agricultural Credit to agricultural credit banks and by the latter to their members—August 22, 1928.

Decree regulating the power accorded to the Council of Agricultural Credit to fix rates of interest on loans made by the General Bank of Agricultural Credit—August 31, 1928.

*Decree Number 16,055 providing further dispositions for cooperative savings associations—October 12, 1928.

Decree Number 16,731 exempts consumers' and producers' cooperatives from industrial tax—April 13, 1929.

Decree modifying the decree on agricultural credit—March 10, 1930.

Decree regulating agricultural credit for cork production—April 12, 1930.

Decree Number 21,916 providing general table of stamp taxes and applicable exemptions—November 28, 1932.

Decree Number 22,513 determines that the exemption of consumers' and producers' cooperatives from the industrial tax (decree Number 16,731, dated April 13, 1929) is applicable only when these associations deal exclusively with their members—May 12, 1933.

Decree law Number 22,800 providing further dispositions for agricultural cooperatives—July 4, 1933.

Decree law Number 23,051 authorizing the establishment in all rural "freguesias" (smallest administrative divisions in Portugal) of "Casas do Povo," social cooperative organizations with the aims of social security, assistance, education, and local development—1933.

Decree law Number 23,618 establishing "Casas do Povo" in places other than those villages that are seats of "freguesias"—1934.

Decree law Number 24,601 regulating credit operations and general warehouses operated by the Federation of Wine Growers of the South and Center—1934.

Decree law Number 24,715 establishing the rules to be applied to the organization of workers' associations, guilds, and of their unions and federations (this is the basic act of corporative organization in Portugal)—December, 1934.

*Law Number 1894 providing further dispositions for credit cooperatives—April 11, 1935.

Decree law Number 26,423 providing for loans granted for the building of cooperative grain silos—1936.

Decree law Number 26,655 (Articles 6 and 11) concerning dairy cooperatives—June 4, 1936.

Decree law Number 26,970 regulating the granting of loans covered by warrants to wheat producers—1936.

Law Number 1957 establishing the bases for organization of agriculture —May 20, 1937.

Decree law Number 28,653 authorizing the establishment and operation of these associations—May 16, 1938.

Decree law Number 29,014 provides dispositions concerning distribution of milk and cream to the cooperatives in Maderia—September 22, 1938.

Decree law Number 29,063 granting to the "Caixa Nacional de Crédito" (a division of the "Caixa Geral de Depósitos") power to replace the boards of directors of the local agricultural mutual credit organizations by appointed committees—October 17, 1938.

Decree Number 29,214 assigns financial supervision of the cooperative associations to the office of the Inspector General of Finance according to Article 7 of the decree Number 22,513, dated May 12, 1933 (industrial tax exemption)—December 6, 1938.

Decree Number 29,243 modifying law Number 1957 dated May 20, 1937, establishing the bases for organization of agriculture—December 8, 1938.

Decree Number 29,494 establishing farm labor ("Grémios de Lavoura") and dissolving the syndicates and their respective unions—March 22, 1939. Modified by the decree laws Number 29,049 of 1939; Number 29,121 of 1940; Number 32,056 of 1942.

Decree Number 32,442 authorizing an economic coordinating organization for financial assistance of cooperatives—November 24, 1942.

Decree law Number 34,373 establishing a central board of the "Casas do Povo" to coordinate, direct, and control their activities—1945.

Decree Number 35,465 permitting the General Administration of Agricultural Services, with the authorization of the Minister, to assign delegates to the governing bodies of agricultural cooperatives and livestock mutual insurance companies—January 23, 1946.

Decree law Number 37,297 authorizing creation and operation of building cooperatives and establishing special conditions for the granting

of loans by the Government Savings Bank ("Caixa Geral de Depósitos")—February 7, 1949.

Decree Number 37,666 (Article 14, paragraph 3) provides benefit by the 50 per cent reduction in registration fees for cooperatives—December 19, 1949.

Decree Number 37,751 (Article 4) authorizing fishing companies to promote the organization of consumers' and producers' cooperatives among their members—February 4, 1950.

SPAIN

THE Republic of Spain—a monarchy until April 14, 1931—offers a typical example of how the political changes and the rapid turnover of antagonistic regimes followed by constitutional and legislative transformations influence the legal status of cooperatives as an integral part of the economic entity of a country. Even during a very brief historical period—the decade between 1930 and 1940—such fundamental legislative changes affected the cooperative societies that uncertainty rather than permanence is the most significant factor concerning their legal status.

The first cooperative societies came into existence under the law of associations, dated 1887. However, several special laws and decrees, the most important of which was enacted in 1906, introduced various regulations, particularly in the field of agricultural credit.

The basic unit for agricultural cooperatives was embodied in the traditional form of communal granaries (*positos*), which were a certain kind of mutual enterprise. The effort was made to transform these granaries into cooperative societies that should render all types of cooperative services, including money lending and saving, marketing, supplying, and mutual insurance. The granaries in that form were autonomous rural associations, but came under government supervision.

Further development was the aim in 1925 when a Royal Decree constituted a special commission under the presidency of the Under-Secretary for Labor, Commerce and Industry "to establish within two months the regime of cooperative associations." A Royal Ordinance issued on February 9, 1925, opened a public inquiry (oral and written) for the benefit of a special commission established to study and draft regulations for cooperative societies. However, the draft and proposals of this commission were opposed and finally rejected by the governing military committee. Only special decrees provided certain new regulations affecting cooperative associations, particularly the national services of agricultural credit.

When the state constitution instituted the Republic, the original draft of the commission, which generally followed the Rochdale principles, was put without modifications into the form of a decree issued on July 4, 1931, concerning the powers and legal conditions of cooperatives.

The decree was confirmed by a law accepted by the Cortes on September 9, 1931. According to this law, the cooperative society was defined as an association of persons "desiring to eliminate profit, having for their object the satisfaction of some common need and achieving their social and economic betterment by means of joint action on a collective basis." Except for certain types of cooperatives, the required minimum membership was set at twenty. The "one vote" principle was generally adopted, except in the vocational societies where additional votes were permitted but no more than three. The societies by this law were autonomous organizations, founded with limited, unlimited, or contingent liability. Liability of withdrawn members continued for two additional years. Transfer of shares was allowed among members only. Ten per cent of the annual surplus had to be placed into a reserve fund, and the rest was distributed on a patronage basis. The use of the word "cooperative" was legally protected. An administrative council managed

the affairs of the society. In larger societies, with a membership over 100, the election of an auditing committee was compulsory. The societies could join in unions or federations.

The law established four general groups for cooperative societies: (1) consumers' societies (including gas and water supply, housing and school societies); (2) workers' societies; (3) professional societies, including all types of farmer cooperatives; and (4) thrift and loan societies. A special committee was instituted to propose and draft suitable legislation for agricultural cooperatives. A cooperative center was established under the Ministry of Labor.

The favor of the state toward cooperatives was expressed by the fact that Articles 46 and 47 of the constitution of the Spanish Republic as approved by the Constituent Cortes on December 9, 1933, made clear references to cooperative societies. According to these references, the social legislation of the Republic will regulate, among others, the cooperative institutions (Article 46) and will protect the farmer and legislate on producers' and consumers' cooperatives (Article 47). This was the first constitutional provision to legislate on cooperatives as a fundamental obligation of the central state.

When the Statute of Catalonia was approved by the Constituent Cortes on September 9, 1932, Article 12 empowered Catalonia as an autonomous entity to make and execute laws concerning cooperative societies. Catalonia (territory of Barcelona with three other provinces) was an "autonomous region within the Spanish State under the constitution." This part of Spain had relatively the highest cultural conditions with a vigorously developing industry, and the Catalonians make up about 24 per cent of the population of Spain. Catalonia was also a strong promoter of the early cooperative movement. When the autonomous region established the fundamental law of the Catalan Public Authority, *"Generalidad"* (autonomous government) approved by the Catalan Parliament on May 25,

1933, it was pointed out that, besides legal protection, its duty was to foster cooperatives (Article 12). This favorable attitude of the Catalan region is expressed by a considerable series of cooperative laws enacted during the five-year period between 1933 and 1938. The similar autonomous region *"Euzkadi"* (Basque country) also referred to the protection of cooperatives when the statute of the autonomous government was approved in 1936.

The general law—"Cooperatives: Concept and Function"—dated October 2, 1938, modified the decree of July 4, 1931, with its converting law of September 9, 1931, and with the amending Executive Decree of October 2, 1931. But this new law was short-lived since it was abolished with all the other aforementioned laws when the Franco government took over the rule of all of Spain and established the new political regime of a totalitarian system on June 5, 1939. All former laws and decrees promulgated by the Republic and by the autonomous regions were nullified.

(All attempts to obtain directly objective information through official or semiofficial channels concerning the legal status of cooperatives under the Franco regime failed. It was, therefore, only possible to summarize the most characteristic regulations of the valid laws governing the cooperatives in Spain on the basis of reliable indirect information.)

The law of mutual benefit societies, dated December 6, 1941, was the first to affect the cooperatives in the corporate state. However, the law on cooperatives, dated January 2, 1942, and its Executive Decree of November 11, 1943, contain the fundamental legal provisions for existing cooperatives. The introductory articles of this basic law point out clearly that cooperative principles have to correspond with the syndicate (corporative) structure of the new state. Article 3 provides for autonomy for cooperatives subject only to the discipline of the syndicate organization and of the state. This control

duty is delegated to representatives of the various syndicates and official (state) authorities. By compulsory registration the cooperative society automatically becomes a member of the syndicate of cooperation (*obra sindical de cooperacion*), which is an official supervisory body. The minimum membership for the foundation of a cooperative society is fifteen; however, even less than fifteen persons may organize a so-called *"protegeed"* housing cooperative.

Article 12 provides for the admission and expulsion of members. If a member is excluded from a local syndicate, he also loses his membership in the cooperative. Distribution of the surplus (in the form of patronage dividends) to the members is permitted according to the share of their participation in the cooperative business (Article 20). However, at least 25 per cent of the surplus has to be placed into the reserve fund (Article 13). This allocation is at least 30 per cent for the credit cooperatives (Article 44).

The election of the member-managers may be vetoed by the delegates of the syndicate (provincial). According to Article 26, the management is responsible to the state, to the syndicate of cooperation, and to the board of directors. A control-commission also will be established by the appointment of the *"Obra sindical de cooperacion,"* but including three elected members of the cooperative.

Among the causes for the dissolution of the cooperative, one expresses the intensive interest of the government, which is entitled to dissolve the society by a decree when its functions come into conflict with the interest of the state.

The law classifies cooperatives into various groups such as agricultural, handicrafts, housing, consumer, credit cooperatives, and cooperative youth organizations. The cooperatives—according to Article 31—are generally tax-exempt; however, they do pay certain stamp duties or even taxes, for the most part, in cases when they also deal with nonmembers. The credit coopera-

tives pay the highest taxes, for there is no exemption granted them.

The national organization of all cooperatives established by this law is the *"Obra Sindical Nacional de Cooperacion,"* which is a state institute for the "official organization of all cooperatives" and is to control, protect, and direct the functions of the incorporated state and territorial unions and their cooperatives (Article 53). The Executive Order of 1943 modified the law of 1942 and in Article 60 instituted in the territorial and national unions a commission consisting of five members (*junta*) and of one counselor. The counselor shall be a priest, designated by the respective bishop of the Diocese.

This basic law of 1942 and the Executive Decree of 1943 are entirely in force and provide the general legal basis for the activities of cooperative societies. No detailed information was available concerning further laws and decrees. However, some legislative actions (which are known outside of Spain) are added to the following list, but without claiming to be a complete registration of cooperative legislation in Spain under the Franco government.

Law of association—1887.

Law of agricultural credit—1906.

Law on the registration and inspection of insurance societies—1908.

Royal Decree granting to positos (communal granaries) the right to federate for purposes of agricultural credit—October 16, 1914.

Royal Ordinance requiring information on the existence and working of agricultural banks—October 17, 1914.

Royal Decree approving regulations relating to the federation of positos (communal granaries)—September 30, 1915.

Royal Decree repealing certain articles of the Royal Decree of August 13, 1892, relating to the General Stock-breeders' Association of the kingdom—August 30, 1917.

Royal Decree providing that officially constituted agricultural syndicates and official chambers of agriculture and commerce may appoint inspectors to control and report to the authorities on everything concerning production—October 19, 1917.

Royal Decree adding to Article 21 of the Royal Decree of September 22, 1917, relating to agricultural syndicates, rural banks, and credit institutions—August 30, 1919.

Royal Decree approving the procedure expediting, etc., the granting of subsidies by the Minister of Labor—June 14, 1920.

Royal Decree creating the National Mutual Insurance Institution for Agriculture and Livestock—September 9, 1919.

Royal Ordinance abrogating the Royal Ordinance of June 14, 1920, and approving the rules of procedure to be applied, and the granting of subsidies to mutualities (friendly societies) and others—August 9, 1922.

Royal Decree issuing provisions in connection with the right of association which Article 13 of the Spanish Constitution recognizes in favor of every citizen—March 10, 1923.

Royal Decree approving the provisional regulations concerning the operation of government supervision over the positos (communal granaries)—April 27, 1923.

Royal Ordinance stating that bearer bonds issued by agricultural unions may be increased in the Trade Register—February 14, 1924.

Royal Ordinance establishing the rules to be observed in granting subsidies and prizes to agricultural chambers and syndicates, rural banks, and other associations—July 28, 1924.

Royal Decree referring to a census of corporations—October 31, 1924.

Royal Decree constituting a commission under the presidency of the Under-Secretary of Labor, Commerce and Industry to establish within two months the regime of cooperative associations—January 14, 1925.

Royal Ordinance opening a public enquiry, oral and written, for the benefit of the special commissioner, established to study and draft the regulations for cooperative societies—February 9, 1925.

Royal Ordinance with respect to the distribution of credit of 40,000 pesetas as subsidies and premiums to agricultural chambers and syndicates, rural banks, and other associations—October 15, 1925.

Royal Decree respecting the organization of hydrographic syndical confederations—March 8, 1926.

Royal Ordinance allocating credit by the commission of National Agricultural Credit Services to the Catholic agricultural federations of Galicia—July 2, 1926.

Royal Ordinance concerning the cooperation of the national positos (granaries) with the National Mutual Association for agricultural and stock insurance—February 21, 1927.

Royal Ordinance approving the constitution of the Hydrographical Syndical Confederation of the Segura—March 16, 1927.

Royal Decree law concerning the Hydrographical Syndical Confederation of the Duero—June 22, 1927.

Royal Decree creating and establishing a National Rice Consortium in Valencia—November 20, 1927.

Royal Decree approving the regulations concerning national positos (granaries)—August 25, 1928.
Royal Decree authorizing the constitution of cooperative distilleries—March 21, 1929.
Royal Decree reorganizing the national services of agricultural credit—March 22, 1929.
Royal Decree concerning the continuance of the decree of April 4, 1927, on the working of mortgage credit banks—June 21, 1929.
Royal Decree renewing the decree of 1928, in order that the National Service of Agricultural Credit may make loans to agriculturists in order to permit them to purchase seed corn—September 7, 1929.
Royal Decree law changing the name of the National Mutual Agricultural Insurance created by the Royal Decree of November 14, 1919, to the Commissariat of Rural Insurance—September 26, 1929.
Royal Decree concerning popular savings institutions—November 21, 1929.
Decree concerning the classification of agricultural syndicates—November 21, 1929.
Royal Decree law authorizing the National Service of Agricultural Credit to make loans with the guarantee of grain warehouses up to a maximum of 20,000 pesetas—November 29, 1929.
Royal Decree increasing the fund at the disposal of the National Service of Agricultural Credit for loans with the guarantee of warehouses for corn and other agricultural products—November 30, 1929.
Royal Decree law authorizing the National Service of Agricultural Credit to make loans to the National Rice Consortium up to a maximum of 2,500,000 pesetas—December 27, 1929.
Royal Decree law amending the law of 1908 on societies—December 27, 1929.
Royal Order concerning the formation of new positos (granaries)—January 7, 1930.
Royal Order concerning the executive of positos (granaries)—January 28, 1930.
Royal Decree making regulations for the regular acquisition of silk cocoons and the payment of a remunerative price to the producers—April 11, 1930.
Royal Decree amending the law on the classification of agricultural associations—July 8, 1930.
Decree providing that legally constituted associations of agricultural laborers may undertake collective leasing of farms—May 19, 1931.
*Decree establishing the powers and legal conditions of cooperative societies—July 4, 1931.
Law confirming the above decree—September 9, 1931.
Decree approving the rules to be inserted in the law on cooperative societies—October 2, 1931.
Constitution of the Spanish Republic (Articles 46 and 47)—December 9, 1931.

Decree authorizing the public official's cooperatives for modification of statutes—April 7, 1932.
Order concerning the regulation of the Marine Social Institute—May 6, 1932.
Statute of Catalonia (constitution of the autonomous region, Article 12)—September 9, 1932.
*Law on cooperatives, concept and function. Modification of the decree of July 4, 1931, of the converting law of September 9, 1931, and of the Executive Decree of October 2, 1931—October 27, 1938.

Catalonia

Organic law of the Generalidad (autonomous government) of Catalonia (Article 12)—May 25, 1933.
Law of basis of cooperation for cooperatives, mutual aid societies, and agricultural syndicates—February 17, 1934.
Cooperative societies act—March 17, 1934.
Friendly societies act—March 22, 1934.
Agricultural cooperative societies act—March 30, 1934.
Decree approving the new formulation of the statutes of the Fund for Agricultural and Cooperative Credit—March 12, 1935.
Decree providing for the obligatory syndicate of land brokers—August 27, 1936.
Decree establishing the service of agricultural cooperation and defining its functions—October 8, 1936.
Order concerning the executive regulations of the decree dated August 27, 1936, on the obligatory syndicate of land brokers—October 19, 1936.
Order modifying Article 32 of the decree dated August 27, 1936, concerning the obligatory syndicate of land brokers—October 27, 1936.
Decree restricting the establishment of new cooperatives in towns where such organizations already exist—January 18, 1938.

Basque Country (Euzkadi)

Statute of the government of Euzkadi (autonomous region of Basque country)—1936.

(*During the Franco government*)

Law of mutual benefit societies—December 6, 1941.
Cooperative law—January 2, 1942.
Decree concerning cooperatives—November 11, 1943.
Law granting credit (thousand million pesetas) to the National Service of Agricultural Credit for the advancement of loans to farmers—July 21, 1946.
Order concerning internal functioning of pharmaceutical cooperatives—April 26, 1947.
Order concerning pharmaceutical cooperatives—July 22, 1947.
Order clarifying Article 43 of the cooperative law—December 30, 1947.
Order excepting from the provisions of the order dated June 17, 1947, certain producers' cooperatives—January 10, 1948.

Order regulating the granting of the title of "Unit collaborating with the Ministry of Agriculture" to the agricultural cooperatives and their unions—February 9, 1950.

SWEDEN

In 1895, the first law relating to cooperative societies in Sweden came into effect. This law was later replaced by the law of 1911, which, with certain modifications and additions, remained valid until the end of 1952, when a new law, dated June 1, 1951, came into force. None of the above laws are known as *cooperative societies' laws,* but are instead called Economic Societies' Laws (*ekonomiska föreningars laws*). In the laws of 1895 and 1911, the term Economic Societies was defined in such a way that even ordinary profit-making concerns could secure registration as economic societies. The law of 1951 changed this position, and from the time of its coming into force only societies, which in the accepted sense of the word can be considered cooperative, can secure registration under it. The societies registered earlier, however, retain the right to continue even if they are regarded as being noncooperative, while to a large degree the stipulations in the new law also apply to them.

The name of economic societies registered under the earlier laws was "*förening utan personligt ansvar*"—society without personal liability, abbreviated "*förening u.p.a.*" Societies registered according to the new law shall have the name "*ekonomisk*" and "*förening*" abbreviated "*ek. för.*" Re-registration of the new name can only take place if the society in question meets the demands regarding purpose and type of activity prescribed in the new law, that is to say, if it is cooperative.

In order to secure registration under the new law a society shall have for its purpose "the promotion of the economic interests of its members by carrying on economic activity in

which the members take part as consumers, suppliers; or through the contribution of their own labor power; or through the use of the society's services, or in some other way." The law's cooperative character is also given expression in other connections.

In order to secure registration a society must consist of not less than five members. However, if such a society is made up entirely of economic societies, registration can be secured with a total of three members. This latter ruling is of special importance when societies within a natural geographical area collaborate to establish a productive society. An economic society can also consist of three legal persons and one physical person.

Furthermore, to secure registration a society must have chosen a board of management and auditors and have accepted a set of comprehensive rules.

Compulsion to seek registration does not exist. However, up to the time that a society is registered, the members of the board of management and others who carry responsibility for the society are equally responsible for the society's commitments in the same manner as for personal debts. When registration has been secured, members are responsible only for the paid-up and due but still unpaid shares and subscriptions.

The obligatory stipulations in the rules are given in Article 6 of the law. There it is stated that the society's rules must contain: (1) the society's name; (2) the purpose of the society's activity and the type of activity; (3) the place where the society shall have its seat; (4) the minimum share holding each member shall have in the society, how the share contribution shall be made up, and if the members may make more than the minimum share contribution; (5) where regular, or on the basis of a special decision regarding levying of subscriptions, subscriptions to the society must be paid the maximum size of such subscriptions must be stated; (6) the number of members of the board of management and the auditors or the maxi-

mum and minimum number that these might reach together with similar information if substitutes for the members of the board and auditors exist; the period for which the members of the board of management and the auditors together with their substitutes shall hold office, and, where the members of the board, auditors, and their substitutes are chosen by a method other than that stated in the law, how these are chosen; (7) where delegated democracy exists as stated in Article 62 of the law the authority of the delegates; how they shall be chosen; and the period of their office shall be stated; (8) the society's accounting year; (9) the way in which the summons to general meetings shall be carried out and the method by which other communications are brought to the knowledge of members and delegates together with the latest date that the summons to the general meeting can be issued; (10) the basis upon which any surplus shall be allocated and the way in which assets shall be dealt with in the case of the society's dissolution.

Each society's board of management is responsible for keeping a register of the society's members, giving full names and addresses and the number of shares held by each member. This members' register is to be regarded as public property, and the board of management is bound to allow any member of the public, desirous of doing so, to obtain access to same.

An economic society may not refuse the right of membership to any person unless the type or extent of the society's activity or aim, or any other special circumstance, provides sufficient reason. The above limitation of the principle of open membership relates to cases where the limitation of the number of members is considered necessary and expedient, as, for example, in housing societies, dairy societies, pasture societies, etc. It is also quite natural that a society should have the right to refuse membership to persons who can be expected to work against the best interests of the society.

As a general rule the member has the right at all times to resign his membership. However, the rules can stipulate that resignation can only take place after a certain period; the maximum in this case is two years after date of admission. Upon permission given by the county council, this period can be extended to a maximum of five years. Within the consumer cooperative movement such a limitation on the right of the member to resign is not applied by local societies. This limitation is only applied in the case of the societies with membership in the central organization, *Kooperativa förbundet.* The rules of KF prescribe that members may not resign until two years after the date of their admission to the union.

Membership is considered to have terminated at the end of the accounting year, but one month's notice of withdrawal must be given (this applies in the case of societies affiliated with KF)—or an alternative period stated in the rules, maximum six months—after the date the member has sent in his resignation. Six months after a person has ceased to be a member of a society (that is, six months after the end of the abovementioned accounting year), he is entitled to withdraw all his paid-up share capital together with his share of the allocated surplus. The person (or persons) to whom a deceased member's share holding shall go as a result of an agreed division of property, a division of property enforced by law, or inheritance of property by will, is entitled, if application is made within six months, to take the place of the said deceased member, providing that the rules do not stipulate otherwise.

The board of management must consist of not less than three members. Members of the board must be twenty-one years of age and, unless in special cases permission is granted by the king, or someone with authority to act for the king, a Swedish citizen resident in Sweden. The decisions of the board of management, providing the rules do not make provision for a larger majority, shall be decided by a simple majority. In the

case of a tie the chairman shall have the casting vote. The members of the board of management hold office for a maximum period of two years.

The 1951 law, as was the case with earlier legislation, makes no provision for an administrative council such as those found in large cooperative organizations in all three movements in Sweden, *i.e.,* consumer, housing, and agricultural movements. The societies concerned have therefore themselves worked out the provisions necessary for regulating the activities of such bodies. These provisions, however, must naturally be in conformity with the Economic Societies' Law, and the law in general. The administrative councils in consumer cooperative societies, which, as a rule, are elected by the general meeting (in KF these are elected by the district congresses but the election must be confirmed by the National Congress), have for their task the choosing of the board of management for the society and the supervision of its work.

Regarding the selection of the board of management, the law provides that this shall take place at the general meeting unless otherwise stated in the rules. In the large local consumer societies and joint organizations of consumer cooperative societies, as in KF itself, it is the administrative council that selects the board of management.

The board of management is bound to issue a special annual report. This shall include an administrative report, a balance sheet, and a profit and loss account. In principle the working year shall extend over a period of twelve months but this can, on the occasion of a change in the accounting year, be either shorter or longer, with a maximum period of eighteen months. Detailed provisions are given in the law regarding the annual report. When working out the rules, the guiding principle is that the annual report shall satisfy the members' and the creditors' justified demands for clarity, comprehensiveness, and the employees' and the general public's right of access to knowledge

concerning the affairs of the enterprise. At the same time the law ensures the interest of the members insofar that information concerning the activity of the enterprise need not be given to a degree injurious to the enterprise. Rather comprehensive provisions are made regarding the principles underlying the valuation of the society's assets and the items to be shown in the balance sheet and profit and loss account. If changes of any importance are made with regard to the accounts—for example, in the valuation of assets in comparison with the previous year—these must be given in the annual report.

The board of management in its annual report must make a proposal regarding the disposal of the surplus. The auditors are liable to give their opinion on this proposal in their report. At least 5 per cent of the surplus must be allocated to a reserve fund. In this surplus shall also be calculated dividends on purchases and bonuses, which are paid out previous to the closure of accounts. Interest on capital is fixed at a maximum of 5 per cent. This last provision, however, is not valid for those non-cooperative societies registered under earlier legislation. Limitation on the amount of the dividend on purchases or bonuses received on delivered commodities is not made in the law. However, the average dividend on purchases paid by the consumers' cooperative movement is, as a rule, only 3 per cent.

The administration of the board of management and the society's accounts should be examined by one or more auditors. The auditors shall be elected by the general meeting unless the rules state that an alternative method shall be used. A union with the purpose of satisfying the common needs of societies, which has a special auditing body or an auditing body that is a legal person, may be chosen as auditor. An auditor must be a Swedish citizen resident in Sweden. He may not be an employee of the society or a member of its board of management, or one who has had to do with the accounting of the society's books or administrating the resources of the society, or one who, through

being related by blood, marriage, etc., is connected with the members of the board of management.

The members' right to take part in the administration of the society's affairs is exercised at the general meeting. General members' meetings must be held within six months after the closing of accounts. The regulations regarding members' voting rights and decisions carried out at society meetings, where not stipulated otherwise in the rules, are as follows: (1) each member is to have one vote; (2) a member's vote can be exercised by another member acting on his behalf; (3) no member may act as a representative for more than one member; (4) the decisions of the society shall be decided by the majority vote; and (5) on occasion of a tie in an election the decision shall be by the drawing of lots, while in other questions the chairman shall have the casting vote.

Certain items of business call for a percentual majority. Thus, when it is the question of amendments to rules and all members with the right to vote and present are not united in their decision, such a decision has to be carried at two meetings, at the last of which the decision must be agreed to by at least two thirds of those voting. However, if, as a result of the decision, the members' liability to hold shares or pay subscriptions to the society is increased or the members' right to the yearly surplus is limited, the decision of the second meeeting must be supported by at least three fourths of those voting. Should any amendment restrict the right of the members to the return of their capital and to their share of the allocated surplus when resigning from their society, their right to retain the assets of the society at the time of dissolution, or their right to resign from the society, the decision at the second meeting must be agreed to by all assembled members with the right to vote.

The authority of the general meeting can, if the rules so prescribe, be conferred on delegates for a maximum period of three years. Provisions for meetings of delegates are the same,

where applicable, as for ordinary members' general meetings. A delegate, however, does not have the right to transfer his vote to another delegate. Should delegates come to a decision limiting the rights of the members in the way described above, the members of the society shall be informed of this in the way stipulated in the rules for communicating with members.

According to the law economic societies must be liquidated when the total number of members falls below the prescribed minimum and when the required number of new members do not seek admission to the society within three months. If the activities of a society are conducted in such a way that these do not keep to the conditions upon which registration was granted, the court can decree that the society shall go into liquidation.

During recent years liquidation procedure in the Swedish consumer cooperative movement has, as a rule, only come up in connection with the amalgamation of two or more societies. The new law, however, makes special provisions for amalgamation in a section called "amalgamation procedure," but societies have still the possibility of using liquidation procedure in connection with amalgamation if this is found to be more convenient. If, as a result of amalgamation, an economic society shall be absorbed by another society, the decision to amalgamate must be agreed to by all those in the society with the right to vote, or by two successive general meetings at the last of which the decision must receive two thirds of the votes cast. In the case of a society taking over another society the decision of the absorbed society's board of management is sufficient. An amalgamation may, however, not take place without the consent of the court.

The registering authority is the county council in each respective county, while in Stockholm it is the Governor General's Office. In the register of societies kept by these authorities the following information shall be entered (Article 101): (1) the society's name; (2) the purpose and type of the soci-

ety's activity; (3) the place where the society shall have its seat; (4) the society's postal address; (5) the society's accounting year; (6) the full name and address of each member of the board of management and his substitute, and where one alone or in common with another is authorized to sign for the society his name and address must be given; (7) by whom and how the name of the society shall be signed where it is not signed by the board of management.

The 1951 Economic Societies' Law is not applicable to mutual insurance societies, sickness benefit societies, benevolent societies, and other insurance societies. Neither is it applicable to societies granting loans against the security of a mortgage on real estate for which special provisions regarding mortgage banks and housing credit societies exist.

The stipulations in the new law, which state that the interest on share capital must not exceed a maximum of 5 per cent, will not be valid until after the financial year ending before January 1, 1958; while the stipulation that at least 5 per cent of the surplus must be allocated to the reserve fund will not apply until after the financial year ending before January 1, 1954. (In the case of those societies registered under earlier legislation, the provision limiting the interest on share capital to 5 per cent does not apply.)

Societies are themselves free to work out their own rules within the framework permitted by the law. Within the consumer cooperative movement it is usual that the model rules worked out by *Kooperative förbundet* are, with modifications, accepted. These model rules—the first issue, which from time to time has been amended, was made available in 1908—are based on the cooperative principle of democratic management, open membership, limited interest on share capital, dividend on purchases, political and religious neutrality, cash trading, and educational activity. As a result of the new law a proposal for a set of new model rules has been presented to the 1953 con-

gresses. New rules for KF, adjusted to suit the provisions of the 1951 law, were accepted by the 1952 congresses.

The question of the taxation of the cooperative movement is not dealt with in the Economic Societies' Law. The most important laws and regulations dealing with the taxation of cooperative societies are the Municipal Tax Ordinance of 1928 together with amendments, and the State Income Tax Ordinance of 1947. The Municipal Tax Ordinance includes two taxes: (1) property tax, and (2) municipal income tax. The property tax is a guaranteed tax based upon a minimum income from real estate, which is regarded as equal to a certain percentage yield of the taxable value of such real estate fixed by the authorities. This tax like the municipal income tax is proportional. The state income tax is assessed at 32 per cent on a specially calculated net surplus. It should here be observed that in both consumer and producer cooperative societies, accepting the principles of open membership and equal voting rights, dividends on purchases to members, if in conformity with the rules and used for the purchase of shares, are free of tax as far as the societies are concerned. Members' dividends on purchases are not taxable if they represent a reduction in the cost of living; this is usually the case with those making purchases in local consumer cooperative organizations.

The bonuses received by members of agricultural cooperative societies on delivered commodities and purchased requirements is considered, however, as an income from business of the recipient and is, therefore, taxed. In the case of interest paid on share capital, however, both the society and the recipient are liable for tax. In cases where an economic society conducts its activity in a company form this is taxed as an ordinary company, which means that for this part of its activity the society must pay state income tax at the rate of 40 per cent of the net surplus. It is seldom that local societies conduct their activties in the form of a company. However, a number of

KF's industrial enterprises together with several of KF's special sales organizations, the total share capital of which is owned by KF, are organized as special companies.

Regarding the dividend on purchases made from KF by the societies, which is in general 1 per cent, it can be mentioned that this is regarded as an income to societies, and the tax is therefore paid by them and not by KF. This is so, despite the fact that the societies, in accordance with the rules of KF, do not receive their dividend in cash but have it placed to their share account with KF. Regarding the interest on the societies' share capital in KF, which grows automatically year by year as a result of the accruing dividend, the opposite is the case. KF pays the tax on this sum, but the societies are not liable for tax notwithstanding the fact that they receive same in cash. This position is parallel with that of companies where the intention is to avoid tax falling three times on the same income. The above circumstances are the same in the case of joint cooperative organizations.

Agricultural cooperative organizations, which include marketing societies for milk and dairy products, meat and processed meats and eggs, and farmers' supplying organizations for acquiring agricultural necessities such as fertilizer, feeding stuffs and seed, are regulated as a rule by the same legislation as consumer cooperative societies. Agricultural credit organizations, which include local societies, district organizations, and a national organization, are covered by the applicable parts of the 1911 Economic Societies' Law plus certain stipulations contained in a special ordinance dated 1942. Agricultural credit organizations are societies with limited liability; that is to say the members, in addition to their share capital, take a certain subsidiary responsibility for their liabilities up to that amount where the assets of their organization are not sufficient to meet a given percentage of such liabilities. Local agricultural credit societies must consist of at least twenty members, and the rules of central

credit organizations must be approved by the king. Every central credit organization must be affiliated to the national organization, *i.e.*, the National Swedish Agricultural Credit Bank.

Swedish agriculture is to a large degree regulated by various state ordinances. Because these ordinances do not regard agricultural organizations as cooperatives, they can hardly be considered cooperative legislation.

During 1948 the Swedish Parliament passed a law to regulate cooperative collective farming. The chief aims of this law are: (1) to make it possible for small farmers to gain the advantages that the use of agricultural machines and other technical devices can bring; (2) to preserve the small farmer as an independent landowner; (3) to make it possible for the landless farm laborer to become a farmer.

A cooperative collective farming society must consist of no less than five members, all of whom possess the necessary agricultural knowledge and experience. All members are bound to contribute their labor and are not allowed to transfer this obligation to another. A cooperative collective farming society must draw up an economic plan of activity that must be approved by the State Board of Agriculture. Up to the present, however, cooperative collective farming has had a very limited development, and so far only one or two societies have come into existence.

Housing cooperative societies are of two kinds, depending upon the length of time for which the dwelling is made available to the tenant. If the occupancy is for a limited period, the Economic Societies' Law of June 1, 1951, is applicable. Unlimited tenure can only be granted under the so-called Security of Tenure Law. For Security of Tenure Societies there exists, in addition to the ordinary Economic Societies' Law, a special law dated April 25, 1930, plus amendments. A number of cooperative housing societies are organized as Security of Tenure Societies. These include both the HSB organization (Tenant's

Savings and Building Society) and the housing cooperative societies affiliated to *Svenska Riksbyggen,* which is a building enterprise owned and controlled by the building workers themselves.

Since 1937 the state has provided third mortgages for assisting the building of dwellings. Of recent years the state loan activity has been increased, owing to rising building costs. Cooperative societies can now, under certain conditions, receive state loans up to 95 per cent. Private builders can receive loans up to 85 and in certain cases 90 per cent, which reduces the need of the member to contribute share capital.

Royal Statute of limitations and of summons to unknown creditors—March 4, 1862.
Royal Statute regarding an extended freedom of trade—June 18, 1864.
Law relating to the registration of economic societies—June 28, 1895.
Economic societies law—June 22, 1911.
Law relating to banking—June 22, 1911.
Law making certain reservations on the right to acquire property—May 30, 1916.
Law prohibiting, in certain cases, companies, societies, and institutions from acquiring property—June 18, 1925.
Law relating to the cancellation of missing documents—April 8, 1927.
Municipal tax law—September 28, 1928.
Law relating to accountancy and bookkeeping—May 31, 1929.
Law relating to arbitrators—June 14, 1929.
Royal Statute relating to Swedish building credit banks and to building credit societies—August 3, 1929.
Royal Ordinance relating to Swedish building credit banks and to building credit societies—October 18, 1929.
Security of tenure law—April 25, 1930.
Law relating to the fixing of statutory periods—May 30, 1930.
Law containing certain stipulations regarding central banks for agricultural credit—June 26, 1936.
Royal Statute on agricultural credit banks—June 5, 1942.
Royal Proclamation regarding certain regulations concerning the basic funds of central banks for agricultural credit—June 19, 1942.
Law regulating the granting and transference of the right of tenure, etc.—June 19, 1942.
Royal Proclamation containing certain stipulations regarding the application of Article 14 of the security of tenure law, April 25, 1930—January 12, 1946.

Royal Statute relating to state income tax—July 26, 1946.
Law relating to collective farming—April 30, 1948.
Royal Proclamation regarding the registration of collective farming societies—April 30, 1948.
Law on Swedish citizenship—June 22, 1950.
*Economic societies law—June 1, 1951.
Promulgation of the economic societies law—June 1, 1951.
Royal Statute with special stipulations regarding deposits and withdrawals from agricultural credit central banks—May 30, 1952.
Royal Proclamation instituting a register for economic societies, etc.—June 30, 1952.

SWITZERLAND

THE legal status of the Swiss cooperative societies was first provided for by a special chapter of the Code of Obligations of 1881. This distinguished the formation of cooperative societies from other commercial organizations, but did not, however, define the precise form of a cooperative.

This first act stated that the membership should not be less than seven; it also regulated the personal liability of the members for the debts of the society. It contained provisions for the "one man—one vote" principle, but these provisions could be modified by the rules or statutes of the society.

The growth of the cooperative organizations and their potentially important place in the economic system of the country required more specialized and accurate legal regulations. These were given in the General Code of Obligations, enacted on March 30, 1911, and the legal status of the cooperative societies was defined in Articles 678-715. Since the end of World War I, the revision of the previous laws concerning their legal status has been a dominant problem of the Swiss cooperatives. The first draft in 1919 listed cooperatives together with other types of corporations under the general definition, "Commercial Societies." Societies consisting of persons were discussed in general in Articles 638-687. Another chapter (Articles 794-

841) contained the special provisions for cooperatives. This draft, however, was never enacted. A special committee of experts discussed the second draft originally prepared in 1923, and on April 20, 1925, the following definition of a cooperative society was formulated: "It consists of a varying number of persons, organized corporately, whose aims are principally to contribute towards the economic prosperity of its members by joint action." This draft included—with the exception of certain defined cases—the principle of "open membership." Employees of certain special undertakings, *e.g.*, railroad men, postal clerks, etc., might have their own cooperatives, in which cases the "open membership" is not applied as a general principle for everyone.

The most recent Swiss cooperative law bears the title, "Revision of Chapters XXIV to XXXIII of the Code of Obligations on December 18, 1936." This is the general revision of the former act of 1911. Chapter XXIX sets forth the legal provisions for cooperative societies and contains nine sections including Articles 828-926 as follows: (1) definition and establishment of a cooperative society (Articles 828-838); (2) obtaining membership (Articles 839-841); (3) terminating membership (Articles 839-841); (4) rights and obligations of members (Articles 852-878); (5) functional organs of a cooperative society (Articles 879-910); (6) dissolution of a cooperative society (Articles 911-915); (7) liability (Articles 916-920); (8) cooperative unions (Articles 921-925); and (9) participation of public bodies (state, cantons, etc.) (Article 926).

Chapter XXIX of the revised Code of Obligations gave a considerable period of time for conversion, but this conversion had to be accomplished by July 1, 1947. This was due to the fact that the legal period for conversion of those cooperative societies whose rules and statutes did not conform with the provisions of the new act was prolonged twice for three years

each (October 31, 1941, and October 4, 1943) by special orders of the Federal Council (*Bundesrat*).

The legal transformation of cooperative societies into commercial associations was also regulated in a special order of the Federal Council issued on December 29, 1939, and put into force on January 1, 1940.

The new, revised chapter XXIX defines the legal status of the cooperative societies. This chapter, acknowledged as the New Swiss Cooperative Act, is based upon the *fundamental principles of cooperation.* Originally the laws providing for cooperative organizations were not so strict, since it was thought desirable to promote and help the liberal development. Some private enterprises, however, abused the cooperative form to avoid the more rigorous orders of the law pertaining to the regular joint-stock associations. These associations were essentially cooperative in name only and are generally known as "pseudo-cooperatives." Since many of the active cooperative societies did not meet the provisions of the new law, a certain period for transition was given them (prolonged twice to July 1, 1947) for the conversion into another form of commercial enterprise.

Section one of Chapter XXIX defines the term cooperative society (Article 828) as "an association (corporation) of an unlimited number of persons or societies for promoting their economic interest by mutual self-help." Associations with capital fixed *in advance* are not cooperatives in the sense of the law.

A cooperative society is clearly a personal association, in contrast to joint-stock associations, which are based on pure capital accumulation. Therefore, in a cooperative society, the *personality* of the members is more important than their shares or contributions to the capital. The rights and obligations of the members are limited to the person. As Article 854 points out, "The members will have *the same* rights and obligations";

a clarification also stressed by the provision of Article 855 expressing the "one man—one vote" principle. This gives to each member only the right of one vote, irrespective of the number of shares owned.

The process of forming a cooperative society involves less legal procedures than that required for a joint-stock association. Formation of a cooperative requires at least seven members (Article 831). The rules must be accepted at the organizational meeting (Article 834) and incorporated into the Commercial Register (Article 830).

The statutes (articles of incorporation) must provide the following five adoptions: (1) the name and principal residence of the society; (2) the purpose of the society; (3) the liability of the membership; its system and limitation; (4) the bodies for the management and control and the system of representation; (5) the official form of publications and notifications issued by the society (Article 832).

In addition, the rules *may* include provisions for: (1) raising of capital by shares; (2) provisions for the obtaining of capital given by the members "in natura" (in kind); (3) accounting for the assets received at time of the organizing of the society; (4) regulation of obtaining and terminating membership, if diverging from the provisions given by this law; (5) personal liability; (6) rules for the (a) organization, (b) representation, and (c) amendment of the statutes and decisions adopted by the general meeting, other than provided by the law; (7) limitation or extension of voting rights; and (8) provisions for the distribution of the surplus and of the assets in case of liquidation (Article 833).

Sections II-IV include the conditions of initiating and terminating membership, and also the rights and obligations of the members. New members may join the society at all times during its activity, and members may resign. The rules can limit the term within which a member may withdraw to a

maximum of five years (Article 843). In unusual cases, the member might resign before the limited term. However, if provided by the rules, he has to pay a certain amount to cover the loss to the society resulting from his resignation. The resignation will be accepted at the end of the fiscal year and for a one-year period after the notice is accepted unless the rules provide other terms.

Expulsion, death, or transfer may terminate membership. In case of transfer, the new owner of the shares obtains only the rights of property since he can't use any of the *personal* rights of the former member until he is accepted as a new member of the society, as provided by the rules (Article 849).

The members have the right—if provided by the society's rules—to obtain a membership document. This might be issued in a form of a share, which bears the member's name. As provided by the rules, one member might possess one or more shares; the shareholding, however, is usually limited, and the shares of the cooperative society are not bonds or securities (Article 853).

All members are authorized to exercise the following rights: (1) to vote on meetings and elections; and (2) the personal right of control by the following methods—(a) by obtaining information concerning the business reports (financial statements). For this purpose the management must publicly display the business reports at the principal place of the business for at least ten days prior to the general meeting, and (b) by receiving information concerning the management (the member, however, cannot check or examine the books, accounts, and correspondence of the society without having a positive statement of the legal court or special permission of the board of directors); (3) the right of sharing in the distribution of the surplus. This act, in contrast to the general stock law, does not give members the right to share in the distribution of the sur-

plus. This right, however, may be granted members by the rules (articles of incorporation).

If the rules do not specify otherwise, the surplus can be divided among the members, in proportion to their active participation or patronage (Article 859). Five per cent of the annual surplus must be reserved until it amounts to 20 per cent of the capital (or for a period of at least twenty years, if the society does not issue shares). Cooperative credit societies are authorized to set up other regulations by their own rules for paying dividends above the usual interest rates for long-term credit. A part of the surplus might be used for welfare and social reserves for the benefit of the employees and members (Article 862).

Members have a prime obligation to be *loyal* to the society (Article 866). The rules provide in detail regarding the contribution and personal obligation of members. Previous laws implied personal unlimited and joint liability on the part of members, unless the articles of incorporation expressly indicated otherwise. For instance, all the consumer cooperative societies—with the exception of the VOLG-agricultural cooperatives—incorporated in their statutes the unlimited liability of the members. This general regulation of the old law was very rigid and caused many disappointments to cooperators. Under the present legal provisions the liabilities have claim only on the assets of the association, unless the rules of the association provide otherwise.

The rules may provide for limited liability of the members or for an unlimited joint personal form. Also, under the rules, members may be obliged to pay additional amounts, but only for covering the balance-losses. Any changes regarding the liability of the members, or revaluation of the shares, may be carried out only by the amendment and revision of the statutes of the society (Article 874).

The highest body in the structure of the cooperative society is the general meeting of the members (Article 879). The prerogatives of the meeting include: (1) the creation and the revision of the statutes and rules; (2) the election of the board of directors and the control body (auditors); (3) the approval of the fiscal reports, annual balance sheets, and the distribution of the surplus; (4) the dispensation for responsibility of the board of directors; (5) disposition of all cases, which are referred to the sphere of its authority by the law or by the rules of the society. (All these points are similar to the provisions given by law to the general assemblies of the joint-stock associations.)

It is a new regulation in the law that some functions of the general meeting might be exercised by the "delegates meeting." This organization can be formed by cooperative societies having more than 300 members or where most of the members are cooperatives. The function of the "delegates meeting" is regulated by the statutes of the society (Article 892).

The board of directors must have at least three members, the majority of whom are of Swiss citizenship. Their term of office cannot be for longer than four years, although they may be re-elected. Some functions of the board of directors might be exercised by the "executive committee," if the rules so provide. The board of directors has to conduct the business activities and managment with the greatest of care and to promote the cooperative task with its best efforts (Article 902).

The establishment of the "control-authority" as a new body is also a new obligatory regulation of the law (Article 906). This "authority"—a body consisting of one or more revisors (auditors) elected by the general meeting for at least one-year terms—has to examine the business management and the annual balance sheets and to report in writing to the general meeting (Article 908). The member or members of this "authority" need not be members of the society.

The process of bankruptcy of a cooperative society is regulated by a special order of the Federal Supreme Court, issued on December 20, 1937, in accordance with Article 873 of the revised Obligation Act. In the case of liquidation, any property of the society remaining after the repayment of the shares and discharging of all indebtedness may be distributed among the members only if the rules expressly provide for it. In other cases the surplus must be used for cooperative purposes or for promoting public efforts (Article 913).

Three or more cooperative societies may form a cooperative union. This is also acknowledged as an individual cooperative (Article 921). The delegates of the member societies generally have one vote, but the rules might provide otherwise.

When the activities and functions of a cooperative society should involve special public interest, the public authorities, such as the state (*Bund*), cantons, districts, or communities, may take part in the management by sending a delegate to the board of directors or to the control authority (Article 926).

These revised Chapters XXIV to XXXIII of the Code of Obligations are the most important and general legal resources of the Swiss cooperative movement. The representatives of all important cooperative societies assisted in the compilation and revision of the present act, which conforms to the public interest of the cooperatives.

The cantons may issue special orders for cooperative societies. However, these must conform with the purposes and spirit of the federal legislation.

An important federal act came into force on October 14, 1933. This prohibited the opening of new department stores and of the fixed-price stores (similar to five-and-ten-cents stores) or the expansion of new branch establishments. This act was acknowledged only as an "emergency" order and was in contrast to Article 31 of the Federal Constitution (1874), which provides for "the freedom of commerce and industry." After

the first two-year term of operation (December 31, 1935), it was prolonged three times (1935, 1937, and 1939) for a further two-year period. In 1941, it was again prolonged for a three-year period. In 1944, it was renewed for a one-year period and continued in force until December 31, 1945.

Although this act cannot be considered as a cooperative act, it influenced very effectively the practical progress of the consumer cooperatives. They have been handicapped as regards the opening of new branch stores in the residential districts of cities or towns where the population was increasing.

A new federal act was enacted on June 30, 1949, to promote the so-called industrial "citizens cooperative societies" (*gewerbliche Bürgschaftsgenossenschaften*) by providing credit facilities. The interest of a special fund of three and a half million Swiss francs will be used in further financing of this project.

One of the most important legal problems of the Swiss cooperative societies is the taxation of the dividends on purchases (patronage refunds). The special orders issued by the cantons or even by certain communities variously regulate the taxation of the patronage dividends. In some cantons the cooperative dividends are exempt from any taxation. Some of them provide tax-exemption for cooperative dividends not in excess of 5 per cent. This limited form of tax-free patronage dividend system was provided by the provisional federal finance act, which was accepted by the national referendum (*Volksabstimmung*) on December 3, 1950. At that time, 516,757 Swiss citizens were in favor of it, as compared to 227,329 who were opposed. This act temporarily provided (1951/1954) for the federal finance policy, since the general act-proposal was rejected in June, 1950. Although it included the limited taxation of cooperative patronage dividends in excess of 5 per cent, it was not opposed by the cooperative organizations. They loyally considered the extraordinary financial situation of the state for

this limited period of four years. However, they did not give up the fight for the *principle* of the tax-exempt cooperative dividend or patronage refund without limitation.

This situation, however, changed, after the proposed new federal finance act was rejected by the national referendum (*Volksabstimmung*) on December 6, 1953, with a majority of 133,000, when 487,000 citizens opposed the proposal and 354,000 were in favor of it. The financial status of the state (*Bund*), particularly in relation to the various tax questions, after January 1, 1955, is quite uncertain, until the Parliament shall provide during 1954 for the necessary legislation to secure the needed revenue.

Code of Obligations—1881 (came into force on January 1, 1883).
Civil Code—December 10, 1907.
Code of Obligations—March 30, 1911 (Articles 678-715).
Ordinance II, completing the regulations of May 6, 1890, on the Commercial Register and the Official Commercial Gazette—November 21, 1916.
Ordinance on the community of creditors for obligatory loans—February 20, 1918.
Federal law on insurance societies—February 4, 1919.
Order of the Federal Council modifying and completing the provisions of the Swiss Code of Obligations of March 30, 1911, relating to societies with shares and to cooperative societies—July 8, 1919. Articles 638-687 and 794-841. (This draft did not come into force.)
Order of the Federal Council concerning the consequences of currency depreciation for commercial and cooperative societies—December 20, 1919.
Order of the Federal Council concerning the consequences of depreciation to companies and cooperative societies—December 26, 1919.
Collected Swiss laws Number 67—December 26, 1920.
Federal order (first) concerning the prohibition of opening and enlarging department stores and fix-priced stores—October 14, 1933.
Federal order (second) concerning the prohibition of opening and enlarging department stores and fix-priced stores—September 27, 1935.
Amendment to the Article 6 of the federal order of September 27, 1935—April 20, 1936.

Ordinance relating to the federal order of September 27, 1935—April 28, 1936.

*Federal law on the revision of Chapters XXIV to XXXIII of the Code of Obligations—December 18, 1937.

Federal order (third) concerning the prohibition of opening and enlarging department stores and fix-priced stores—October 28, 1937.

Order of the Federal Supreme Court concerning the bankruptcy process of cooperative societies—December 20, 1937.

Federal order (fourth) concerning the prohibition of opening and enlarging department stores and fix-priced stores—September 21, 1939.

Ordinance of the Federal Council concerning the transformation of cooperative societies into commercial associations—December 29, 1939.

Ordinance (first) concerning the prolongation of the conversion period for cooperative societies—October 31, 1941.

Federal order (fifth) concerning prohibition of opening and enlarging department stores and fix-priced stores—December 11, 1941.

Ordinance (second) concerning the prolongation of the conversion period for cooperative societies—October 4, 1943.

Federal order (sixth) concerning prohibition of opening and enlarging department stores and fix-priced stores—December 27, 1944.

Federal act on industrial citizens cooperative societies (*gewerbliche Bürgschaftsgenossenschaften*)—June 30, 1949.

TRIESTE
(Free Territory)

THE Free Territory of Trieste was established after the peace treaty with Italy on September 15, 1947. The status of this territory with an estimated population of 350,000 is, however, still provisional. The legal provisions of the Italian laws are generally in force, since Trieste has been a part of Italy for nearly thirty years, since it was annexed after World War I in 1918.

The legal status of cooperatives is also provided by the former Italian laws. Two of these prior acts are still valid and of particular importance. The Royal Decree of February 12, 1911 (Number 278) with its amendment approved the rules

of cooperative societies and consortia (*Consorzi*) admitted to public contracts. The other valid regulations are contained in the reformed Code Civil, which came into force on April 21, 1942. This Code also revised the former regulations of the Code Commerce, 1882 (valid since January 1, 1883). The latest Italian law, Number 1577, concerning the cooperative societies and enacted on December 14, 1947, does not pertain directly to the cooperative societies existing in the Free Territory of Trieste, because this area was already separated from Italy at that time.

Even in this provisional stage economic operation is developing and cannot be stopped by political uncertainty. Also the economic interest of cooperative societies demands certain new regulations. Therefore, the basic order concerning cooperative societies in Trieste was issued by the Allied Military Government on October 15, 1948. This order Number 298 contains provisions primarily for supervision and control and essentially followed the regulation of the Italian Law Number 1577 of 1947. It also established central coordinating organs and a new system for the registration of societies. It provides in twenty-three articles for a new inspection system, sets up the procedure for inscription into the Register, and constitutes a permanent Territorial Commission for Cooperative Societies.

The Department of Labor is the authorized supervisory body. The Department will carry out ordinary and extraordinary inspections by its own officials. However, upon prior agreement, the cooperative federations may supervise their affiliated societies through their own experts. Ordinary inspections shall take place at least once every two years; extraordinary inspections, however, at any time that is necessary and advisable. The purpose of ordinary inspections is to ascertain that the activities of the societies are conforming to the legal regulations; that the accounting and administration are regular; and to determine the state of the patrimonial condition, assets and liabili-

ties. The inspector has the right to look over all books, registers, and documentary records of the society and may request direct information and explanations. He makes a record (*processo verbale*) in three copies, which must be signed by him and by the legal representative of the society. The society's representative may add his own remarks to the record, or the society may file remarks within fifteen days from the date of the record. The inspector acts under official secrecy. One copy of the record shall remain with the society; two others will be forwarded to the Department of Labor. If the society is affiliated with a federation, the Department shall send the third copy to this federation. In case of perceived irregularity, the Department of Labor may order corrections made within a given time limit. If the society fails to comply with the order, its name may be struck from the Register, and it will lose its rights to any of the benefits provided for cooperative societies by special laws, *e.g.*, Number 2499, dated December 15, 1927; Number 998, dated June 4, 1931; and Articles 2543, 2544, and 2545 of the Civil Code.

Article VIII of the order readjusts the Prefect's Register of Cooperative Societies, which was conducted according to the regulations of the Royal Decree Number 278, dated February 12, 1911. This Register includes all kinds of legally constituted cooperative societies and not only those that may be admitted to take part in public contracts. It is divided into eight sections according to the various types of cooperatives. These include the following: (1) consumer, (2) production and labor, (3) agricultural, (4) building, (5) transportation, (6) fishing, (7) credit and insurance, and (8) miscellaneous cooperative societies. The former law designates seven groups, not distinguishing as special groups the credit and insurance societies.

The Department of Labor conducts a General Index of Cooperative Societies divided into the same sections as the Prefect's Register. The Index is a public document, and it may

be inspected by anyone. The lack of inscription in the Register and in the General Index shall exclude societies from any fiscal or other benefits provided for by this order or by other laws.

The Territorial Commission for Cooperative Societies is a consultant body consisting of officials from various governmental departments and representatives of cooperative federations. Besides the Director and one official of the Territorial Labor Office, one regular delegate is sent by the Departments of Finance, Public Works, Industry, and Food Administration. The federations are represented by two members. One expert will be appointed by the Department of Labor to represent the societies not affiliated with any federation. All the members hold office for a one-year term and are appointed by an Administrative Order of the Allied Military Government. The President of the Commission is the Chief, Department of Labor, who may delegate his authority to the Director of the Territorial Labor Office. The Vice-President is appointed by the Commission from among its members. The administration (secretariat) is conducted by the officials of the Department of Labor. The Commission meets regularly once every two months.

The order also regulates the minimum number of members in various types of cooperative societies. In general, they must have not less than nine members. However, production and labor cooperative societies, which may be admitted to public contracts, must have a minimum membership of twenty-five. Not less than 200 members are required for consumers' cooperative societies.

The profession of the members must correspond to the activity of the society. For example, labor cooperative societies must consist of workers, and only producers can join agricultural cooperative associations. Technical and administrative persons, however, can be exceptionally admitted as members if not exceeding 4 per cent of the total number of members. No middle men or persons having commercial business of the same nature

shall be admitted as members in consumers' cooperative societies. No one can be a member of two or more cooperative societies of the same type. The share of any one member in a society cannot exceed the amount of 250,000 lire. The minimum nominal value of a share is 500 lire, and will not exceed 10,000 lire.

The mutualistic requisites of cooperative societies are stressed by the following clauses of the order: "(a) prohibition to distribute dividends exceeding the percentage of interest fixed by the law calculated in proportion to the capital actually paid in; (b) prohibition to distribute reserve funds among members during the Society's lifetime; (c) assignment, in the event of the Society's dissolution, of the whole of the Society's property —after deduction only of the paid in capital and of the dividends eventually accrued—to the purposes of public utility."

Regarding the consortia of cooperative societies (*Consorzi*) for recognition of their juridical personality, the order requires the participation of not less than five cooperative societies covering at least 250 members in all. Each society has to subscribe shares for a sum of at least 25,000 lire. The capital of the "*Consorzi*" cannot be less than 250,000 lire.

Order Number 31, issued on February 10, 1951, amended certain provisions of Order Number 298. The task of the Territorial Commission for Cooperative Societies was enlarged by new regulations. The inspection reports and the results thereof have to be reported to the Commission. Furthermore, the Commission gives its opinion for juridical recognition of a federation of cooperative societies.

Order Number 298. Provisions for cooperative societies—October 15, 1948.
Order Number 31. Amendment to order Number 298/1948: Provisions for cooperative societies—February 10, 1951.

TURKEY

In Turkey, the cooperative movement began after the proclamation of the Republic in 1923. The first legal provisions for establishment of cooperatives were contained in the Agricultural Union Law Number 498 of 1924, which was repealed in 1927.

The legal status of cooperatives is based at present either on the provisions of the general Law of Commerce or on the regulations of two special laws enacted in 1935. The Law of Commerce was passed July 28, 1926. Part VI (Articles 478-502) contains the provisions relating to cooperative societies. Under these general provisions the following types of cooperatives may be established: (1) consumer, (2) raw material buying, (3) artisan, (4) agricultural production, and (5) building societies.

The general Law of Commerce requires a minimum membership of seven to form a cooperative, and members' liability may be limited or unlimited (Article 478). The rules of the society must be prepared by a notary public, and must contain the name and seat of the society, its objectives, the names and identification of the charter members of the society, the minimum amount of capital, and the method of paying for shares.

Under the rules, the life of a society can be set at any period up to thirty years. The rules cover (1) the admittance of members and their withdrawal or expulsion; (2) the election of the directors (board of administration), appointment of the manager, his functions and responsibilities, and duration of his term of office; (3) the method of calling meetings, voting procedures, and the majority required for any particular decision; (4) methods for dividing of profit or loss; and (5) liabilities of the members. These rules must be approved by the Ministry of Commerce.

If no limit is provided by the rules, according to Article 481, the duration of a cooperative is ten years. For such societies

the rules prescribe that half of the profit or loss will be divided equally among the members, and the other half will be divided relative to their shares.

The nominal value of a share cannot exceed five Turkish lire. No member can own shares worth more than 500 lire. Each member, no matter how many shares he owns, has only one vote (Article 485). If a member withdraws or is expelled from a society, his financial responsibility to the society continues for two more years. The approved balance sheets must be sent to the Registration Office of the Ministry of Commerce within fifteen days following their approval by the board of directors. Also, a list of the members, with their addresses, occupations, and signatures, must be submitted to this same office every six months.

Besides these general provisions of the Law of Commerce, more detailed requirements are contained in the model rules of various types of cooperative societies as issued by the Ministry of Commerce in 1948.

The model rules for consumer societies define the purpose of such societies as being to buy goods for members at wholesale prices and distribute them at low cost. Members are required to pay cash for all goods. The value of a share is five lire. The member has to pay in 25 per cent of his shares when he becomes a member. His duties include loyalty to the society, gaining an understanding of cooperative ideas, and willingness to propagate these ideas. He may be expelled from the society for selling others the goods distributed by the society.

The five members of the board of directors (board of administration) are elected in a general meeting for a term of two years (two members are elected for one year). They are responsible for the affairs of the society for five years after the end of their terms. This board appoints the manager and determines his salary. The manager and two members of the board

of directors are authorized to act legally for the society in conducting routine business.

The so-called organization committee, with three members elected for one year, audits the books, and the members must have a knowledge of bookkeeping. The balance sheet is audited by this committee after the end of the fiscal year (December 31). The board of directors submits the audited balance sheet to the general meeting where the disposition of any surplus is decided.

Before the distribution of the surplus, the following deductions must be made: (1) 5 per cent for the first reserve capital; (2) 15 per cent for the second reserve capital; (3) 5 per cent for cooperative education; (4) 10 per cent for the remuneration of the board members.

The rest (65 per cent) of the surplus is divided among members, candidates for membership, and nonmembers. However, nonmembers never actually receive any money. Instead, their portion is added to the second reserve capital. In case of loss, the negative amount is also divided among these same groups. The share of the members will be recorded as their debt, but the amount due from nonmembers will be covered as loss from the reserve capital.

The amount of the first and second reserve capital is unlimited. However, in case of the dissolution of a society, these reserve capitals cannot be divided but must be transferred to the Ministry of Commerce, which will use them to support similar cooperative societies.

Similar model rules were issued for the building societies. There, too, the minimum membership is seven. The nominal value of a share is five lire. However, in these societies each member must own at least 100 shares, and their liability extends to 1,500 lire. The minimum amount of the capital for such a society is 3,500 lire, of which 25 per cent must be paid in before the society can act legally.

The model rules set up for various types of agricultural producers' associations (marketing, purchasing, and credit), which are under the control of the Ministry of Commerce, include not only the general regulations of the Law of Commerce but also several specific provisions of the two special laws enacted in 1935.

The artisan societies generally operate according to the provisions of the Law of Commerce. However, a special decree Number 513, issued by the Council of Ministers on March 10, 1944, requires the permission of the Ministry of Economy for establishing such cooperatives or their unions. This decree considerably enlarged government control over such societies. All artisan societies organized before this decree had to change their rules within a period of two months after the decree to correspond with the new provisions. New model rules were also issued as an appendix to the decree in the official publication of the Ministry of Economy (Ankara, 1944). The Ministries of Economy and of Commerce were authorized to consolidate two or more societies if necessary, or to divide one society into more sections. The Ministry of Economy has the right to suspend from office any member of the board of directors. The directors are voted on by the general meeting, but their election becomes effective only after approval by the Ministry of Economy. It should be noted that this decree was issued in the final period of World War II, and its preamble points out that this decree was issued in connection with the Law of National Defense.

Two special laws provide the legal status of the most important agricultural cooperatives since 1935. Law Number 2834, dated October 27, 1935, prescribes the organization of agricultural marketing associations. At least ten producers are needed to establish such an association, and the organization must have the approval of the Ministry of Economy. Three agricultural marketing associations may join in a federation,

but only one federation can operate in one region marketing a particular product. The aim of these marketing associations is to secure for the producers a fair marketing at the best price level. According to Article 3 (f), the associations also supply their members with tools, equipment, and other items needed to increase their productivity and to decrease their production expenses.

The rules for agricultural cooperatives are prepared by the Agricultural Bank and approved by the Ministry of Economy. The shares of the members increase proportionately with their delivery of products for marketing. Thus, the total value of the shares may be over 500 lire. One twentieth of the association's capital must be paid in before operation starts. The members are liable to the extent of their shares and the value of their annually deliverable products. Liability is the same in the case of federations, although these members are liable only up to half value of the deliverable products besides their shares.

Members cannot resign for ten years, although members moving from the territory of the association may withdraw their shares. The same is true in case of death. According to Article 9, all products of the members shall be delivered and handled through the cooperative. The local units have the same obligation to their federation. The employees of the associations are subject to the same punishments in case of illegal acts as government officers. The books of the associations are audited by the Agricultural Bank and the Ministry of Economy. Three per cent of the net surplus from the products sold is turned over to the reserve capital and 4 per cent to the second reserve capital to cover losses. Both the federation and the association may buy or sell products from or to nonmembers. All credit and banking affairs of the federations are conducted by the Agricultural Bank.

The administrative committee of these cooperatives is composed of four members elected in a general meeting. A fifth

member—the manager—is appointed by the Ministry of Economy. All decisions and elections during a general meeting must be approved by the same Ministry.

Cooperatives are entitled to buy state lands at a special price of three times as much as the tax of the property was in 1915 (Article 21).

The other special law, Number 2836, also dates from October 27, 1935. It provides for agricultural credit cooperatives. This law repealed law Number 1470, dated June 5, 1929, which until then regulated the legal status of these cooperatives. At least thirty members are required for the organization of a credit cooperative (Article 4), and each member must also be a member of the marketing association in the same region (Article 9). The maximum value of the individual's shares is limited to 1,500 lire. Members may withdraw after eight years.

If there is no marketing association in the region, members who received loans from the credit cooperative can sell their products only with its permission. Members acting against the rules face imprisonment for from one month to one year (Article 13). If the debtor member cannot repay his loan, the cooperative is entitled to seize his land. However, this seized property cannot be sold for two years, during which period the member may redeem his land by paying back the loan.

Loans are granted only for agricultural production purposes. The interest on such a loan cannot exceed the interest and commission rates charged by the Agricultural Bank, and agricultural credit cooperatives can secure credit only from the Agricultural Bank. Any assets over 300 lire must be deposited by the local cooperatives at the Agricultural Bank or at its branches. In case of drought, flood, fire, and other natural disasters, the Agricultural Bank may permit the cooperatives to postpone the repayment time on loans. In this case interest rates remain the same. However, the interest on such loans not paid on time is doubled.

All credit cooperatives established under this law are under the supervision of the Agricultural Bank. Decisions made during the general meeting must be approved by the Bank. The rules of the local cooperatives must be notarized by the community council (Council of Aged People) in the villages or by a notary public in the cities.

With the consent of the Ministry of Economy, agricultural credit cooperatives may form regional federations. Such federations stand between the local cooperatives and the Agricultural Bank.

School cooperatives are organized to promote understanding of cooperatives. A decree of the Ministry of Public Education set up rules for such school cooperatives, but considered them as charity organizations. New statutes for establishing cooperatives in the elementary, junior, and senior high schools and in teachers' colleges have been set up by Decision Number 163 of the Ministry of Public Education. Objectives of the school cooperatives are to teach the students cooperative ideas by practice, to improve their ability to work together, and to show them the basic principles of community and social life.

Students and teachers can both be shareholders in the school cooperative by buying at least one share with a value of one lire. Each member has one vote. All these cooperatives operate as consumer societies supplying members with schoolbooks and other goods needed for their studies. However, they might act as small-savings and money-lending cooperatives. Their general meetings are usually held on Saturday afternoons or on Sundays so that the students can have more free time to attend. All student members can express their opinions freely.

A *Guidebook for Bookkeeping* was published for the school cooperatives to give practical advice in that field and to introduce a standardized accounting scheme for correct bookkeeping. Practical experiences show that establishing school cooperatives help give youth a democratic education. School cooperatives

may also form regional federations. All these types of cooperatives are under the control of the Ministry of Public Education, which has to approve any proposed change in the rules.

The Turkish Cooperative Association is a voluntary federation of all Turkish cooperatives. It was established in 1931 in Istanbul under the stipulations of law Number 3512, entitled "The Law of Associations," and its present headquarters are in Ankara. The Council of Ministers approved the statutes of the Association—according to Article 27 of the Law—on June 10, 1946, and considered it by this fact as an association aiding the public welfare. According to these statutes the purpose of the Association is to promote cooperative understanding in practice and in theory without taking part in political or religious affairs. The Association publishes cooperative studies and prepares model rules for various types of cooperatives. It has a monthly cooperative magazine called *Ant* (*Karinca*). This organization represents Turkish cooperatives not only in dealings with the government but also before international organizations. It organizes meetings, conferences, or special courses and does research studies on cooperative subjects. Three types of members are admitted to the Association: regular, honorary, and correspondent members who may or may not belong to cooperatives. The regular annual membership fee runs from five lire up to 120 lire. Cooperatives pay at least fifty lire or 0.25 lire per member.

Members are entitled to receive all publications of the Association without charge. Only regular members can vote during the general meetings held once a year. Each member-cooperative has one vote. The administration committee has seven members, and meets twice a month. The legal committee consists of five members, the organizational committee of two. All committee members serve on an honorary basis without salary.

In 1952, a new bill was submitted to the Parliament that will provide for a more decentralized and democratic legal construction of cooperatives. Also an Inter-ministerial Commission is working on a proposal to unify the 1935 laws Numbers 2834 and 2836, concerning agricultural marketing and agricultural credit cooperatives. When these proposals become law, the legal provisions for cooperatives will be entirely up to date and will conform to the expansive development of cooperation in Turkey during recent years.

Law Number 498 concerning agricultural unions—1924 (abrogated in 1929).
Law of Commerce Number 865—1926 (Cooperatives: Part VI, Articles 478-502).
Law Number 1470 concerning agricultural credit cooperatives—June 5, 1929 (abrogated in 1935).
Law Number 2834 concerning agricultural marketing cooperatives—October 27, 1935.
Law Number 2836 concerning agricultural credit cooperatives—October 27, 1935.
Decree Number 513 of Council of Ministers concerning artisan unions and cooperatives—April 10, 1944.
Decision Number 163 of Ministry of Public Education concerning school cooperatives—1951.

YUGOSLAVIA

DURING the three decades 1920-1950, the legal status of the cooperatives in Yugoslavia changed frequently, and often as a result of the fundamental transitions in the political construction and system of the state. After World War I, when the approximately 3,500 cooperatives were organized into fifteen unions, their general legal status was provided by laws enacted at the end of the nineteenth century in Austria and Hungary, from which countries certain parts were annexed to the Yugoslavia constituted as a kingdom at that time. Most of the existing cooperatives operated in these annexed territories. Con-

sequently, the Austrian and Hungarian laws were followed for several years. The 1898 Serbian law on agricultural and trade cooperatives also pertained to certain regions of the country.

The first important legislative action of Yugoslavia affecting cooperatives came in 1925, when a special act for agricultural credit laid down new provisions for agricultural credit cooperatives—the predominate cooperative type at that time. Another special group of cooperatives—the health cooperatives—was next to receive special legislation. These health cooperatives, designed particularly to promote rural hygiene, were established after 1923. Their number increased considerably after the period 1927-1930. A special act for health cooperatives was promulgated on December 31, 1930, when the number of such societies passed fifty-three. The next year, on June 1, 1931, there were seventy-eight with a central union in Belgrade. This relatively brief act with its fourteen very short articles provided only general regulations for establishment of health cooperatives, and in general defined the purposes but not the cooperative character of such societies. Rules respecting the application of the law on health cooperative societies were issued on January 12, 1938.

The enactment of a general cooperative law required a long time, and it was promulgated only on September 24, 1937. This entire act was abolished and replaced after World War II when Yugoslavia changed her political status, and by a new constitution, turned to the establishment of a federal people's republic (F.P.R.Y.). Although this act lasted only a very short time and with the political reorganization of the state became obsolete, it is worthwhile summarizing its main parts from the standpoint of the historical development of the cooperative legislation in Yugoslavia. This general law on "economic cooperatives" did not classify the various types of cooperatives in groups, but provided a general definition saying: the cooperative is an association of members, whose number

and share are undefined and variable, and by their participation in the management the mutual benefit of the members and the economic welfare (of the state) will be promoted. At least ten persons were required for organizing a cooperative. Their liability was limited or unlimited as provided by the rules. These rules had to contain several items: the business name of the cooperative (the word "cooperative" must be included); its headquarters in Yugoslavia; the purpose of the society; the acquisition of membership and method of the withdrawal; the number and actual value of the shares; duration of the society; distribution of the surplus; the allocation of reserve funds; the rules of the general meetings; and election, duties, and rights of directors and supervisors. The organized cooperative had to be registered by the commercial court in order to become a legal entity. The voting right of the members—according to Article 33—was limited to one; however, in certain productive and processing cooperatives, it might be increased in proportion to the liability of the members, but not to over five votes per member.

An important regulation of the law of 1937 was that it introduced compulsory centralization and required cooperatives to affiliate in unions.

These unions might be organized for business and for auditing (supervision) purposes. Only unions with a membership of at least 300 associations had the right to supervise their members; however, this minimum number of membership was reduced to 100 associations if only productive cooperatives were affiliated with the union. The business and supervisory unions had to join the Central Cooperative Union (*Glavni Zadruzni Savez*), which became the official representative institution of all cooperatives in Yugoslavia (Article 95). Before World War II, it had a membership of thirty-seven auditing unions, which incorporated forty-five business unions with a total affiliated membership of 11,309 cooperatives. The Central Union,

under the supervision of the Minister of Agriculture, controlled and supervised the activities of the auditing unions. If necessary, it also had the right to supervise the business unions or affiliated cooperatives. Its purposes included the protection and representation of the interest of cooperatives in relation to the state, the promotion of cooperative education and dissemination of cooperative ideas, the assembling of cooperative statistics, and the furtherance of international cooperative relations.

This general law granted special financial privileges to cooperatives. For example, the auditors of the various unions enjoyed free transportation on the state railroads or on state ships. The state investment bank and the postal savings institute had to turn over 2 per cent of their annual net profit to a special fund created for the support of cooperatives. Also, 10 per cent of the net income of the state lottery was transferred to this fund. The law of 1937 abrogated all previous laws and decrees pertaining to cooperatives, except the special act on health cooperatives dated December 31, 1930. Generally, a transition period of two years was allowed for the existing cooperatives to change their statutes and rules to conform with the provisions of the new law. However, this period was extended to ten years in certain special cases.

The fundamental change in the political constitution of Yugoslavia after 1944, when the country adopted communistic institutions and declared herself a "federative people's republic" (consisting of six people's republics), was followed rapidly by new legislation entirely at variance with the previous legal concepts. The whole political and economic system of the state was changed. New legislative actions began to transform all sectors of the public life, among which was included the status of cooperatives.

The war years, during which Yugoslavia was a permanent battlefield, nearly destroyed the existing cooperatives. Only 4,587 agricultural cooperatives, less than half of their num-

ber in 1939, survived the war. Since political conditions had changed, their reorganization and re-establishment could not be accomplished on the previous legal basis. The structure of agriculture, the sector of economic production in which most of the Yugoslav cooperatives were engaged, underwent a severe transformation. A basic act on land reform and resettlement, dated August 23, 1945, was initiated to carry out a new system of land distribution, bearing in mind the final goal—socialization of agriculture.

The trend to state socialization recognizes the existence of cooperatives, at least in a transitory period. However, they are allowed only in a changed form, which is suitable to further the socialistic transformation of rural districts. Article 17 of the new constitution, promulgated on January 31, 1946, pointed out: "The state gives special attention and extends assistance and facilities to the people's cooperative organizations." Since, according to the opinion of the new communistic state, the general law of 1937 was "one of the principal reasons for the unhealthy and chaotic conditions of the cooperative movement in old Yugoslavia," it was entirely abolished and replaced by a new law, dated July 18, 1946. This basic law of 1946 (also abrogated in 1949) with its forty-eight articles tried to reflect the profound political changes and to bring the legal status of cooperatives in conformity with the existing new conditions, particularly in respect to the dominating role of the state in the entire economic system.

It pointed out, "cooperatives are voluntary economic organizations of the working people, which establish connections between farms and encourage their trade activities for the purpose of furthering the people's economic means of collective work, and which develop the initiative of the widest masses of the people of village and town by organizing the production, supply and distribution of goods." According to Article 5: "The principal kinds of cooperatives are: buying and selling, con-

sumer, producer, processing, credit, housing and health cooperatives." Although this enumeration did not include the new special type of agricultural cooperatives called "agricultural (or peasant) working cooperatives," the same Article 5, paragraph 4, made the first legal statement concerning this form of cooperation: "Separate branches of these (agricultural producing and processing) cooperatives are the peasant working cooperatives, whose members work in a collective farming system."

The agricultural working cooperatives were organized in all communist countries where land reform was carried out, and there existed a transitory period for the switchover from individual to collective farming. These organizations were assigned to further the collectivization of individual lands. Obviously, this intention was emphasized by the law of 1946. Concerning the general provisions for other types of cooperatives, not many major changes were introduced by this law, which only prescribed the frame for cooperative work. But the status of the newly established agricultural-peasant-working cooperatives was quite uncertain, and their special purpose—to introduce the collective system instead of individual farming—could not fit into a general cooperative legislation. Since 1945, the political tendency of the state favored two types of agricultural organizations. One, the so-called "general agricultural cooperatives," integrated the operations of various types of cooperatives that had existed before in the same village, county, or district. The purpose of this centralization was the unification of selling and buying activities, including cooperative credit business (the agricultural credit cooperatives made up the largest group in 1939) into one "general" organization, which facilitates supervision and control. The other favored type was the agricultural-peasant-working cooperative. The great increase in the number of these favored and fostered organizations is reflected in statistics released December 31, 1950, when among the registered agricultural cooperatives 8,004 (with

3,540,399 members) belonged to the "general" type, 6,964 (with 429,784 members) to the "working" type, and only 255 societies (with 30,000 members) to the "producing and processing" type.

Various articles of the law of 1946 included characteristic special provisions for these agricultural-peasant-working cooperatives. One significant and characteristic provision concerned membership. According to Article 9, "Members of a cooperative may be citizens of either sex over 18 years of age . . . ." However, "*All* members of an individual household who have joined a cooperative are considered as members of a peasant working cooperative, while those of its members who are over 16 years of age have the right of decisions." It is obvious that the general purpose of establishing such associations is to institute some kind of "mass organization" among rural people.

The law recognized the functions of the General Cooperative Union of the Federative People's Republic of Yugoslavia with the same purposes as stated by the former law in 1937. State supervision was exercised by the respective ministries, in most cases by the Ministry of Agriculture. However, a Commission for Cooperatives attached to the Presidium of the government was established on December 16, 1946 (according to Article 31), "for the purpose of coordinating the work of the individual ministries with the cooperatives and unions." This Commission was replaced by a Cooperative Committee instituted by a decree dated January 22, 1948. The Committee, however, was very short lived. In the same year, the decree of December 31, 1948, abolished the Committee and gave its powers to the respective ministries.

The state made further efforts to subsidize the agricultural-peasant-working cooperatives. The Minister of Finance granted to these societies 30 per cent exemption on property taxes by a decree dated April 4, 1949. A decree of April 6, 1949, allowed the National Bank to make short-term and investment loans

to agricultural-peasant-working cooperatives. These agricultural cooperatives had to make economic and production plans for each year, as prescribed by the law on the five-year plan for the development of national economy.

However, this first legal attempt of the F.P.R.Y. could not create a satisfactory status for the new types of agricultural cooperatives established to further socialization among rural people. The special provisions in the various articles of the basic law of 1946 did not clearly distinguish them from the other types of cooperatives. New additional decrees, mostly favoring the fostered progress of agricultural-peasant-working cooperatives, rather confused the general legal situation. Therefore, within a relatively brief period, a special basic law was enacted pertaining to the agricultural cooperatives. According to the official summary, the 120 articles of the basic law on agricultural cooperatives, dated June 6, 1949, are divided into the following eight chapters (following quotations taken from the official interpretation of the law truly reflect the opinion of the state legislative authorities): "basic principles; organization of general agricultural cooperatives; peasant working cooperatives; association of cooperative organizations; state aid to cooperative organizations and control of their work; legal protection of cooperatives; provisional and final provisions. The first five chapters are divided into sections. The first chapter is divided into four sections, comprising: general provisions, material basis of cooperatives, economic plan of cooperatives, cooperatives and cooperators. The second chapter falls into four sections: formation of cooperatives, membership, the organs and dissolution of cooperatives, association and division of cooperatives. The third chapter has three sections: activity and scope, property relations of general agricultural cooperatives, distribution of profits and funds. Chapter four is divided into six sections: peasant working cooperatives and their types, reserved plot of land, economic basis and property relations,

management of cooperative estates, organization of work and working relations, distribution of profits and management of funds. The fifth chapter has three sections: district unions of agricultural cooperatives, higher union of agricultural cooperatives, formation of unions of agricultural cooperatives and their organs.

"The agricultural cooperatives are economic organizations in which working peasants are associated for the purpose of improvement of agricultural production, raising of their own standard of life and building of socialism in the village." The state will pay special attention to the development of agricultural cooperatives and will subsidize and facilitate their progress (Article 1). The law recognizes the two types of agricultural cooperatives: the general and the peasant-working cooperative. These organizations and their unions are legal entities. The material basis for the production activities of the cooperative is composed of the cooperative property, state property placed at the disposal of the cooperative, and properties of the members brought into the cooperatives for common use. Cooperative property cannot be returned to private ownership under any circumstances. The agricultural cooperatives prepare an economic plan for their activities that will be included in the economic plan of the district union. The economic plans of district unions then become an integral part of the state economic plan.

Members of agricultural-peasant-working cooperatives can be only working peasants of either sex over sixteen years of age. Nonfarmers can be admitted to membership if their technical knowledge and experience may be necessary for the cooperative and if they work only for the cooperative. The wealthy farmers (known generally in the communistic economic system as "*kulaks*") may be accepted on rare occasions if their attitude guarantees their loyalty towards the People's State and the cooperative (Article 27).

The members of agricultural cooperatives may withdraw at the time and by the way prescribed by the rules. A member of a peasant-working cooperative, however, cannot withdraw from the cooperative until three years after his admission. Only for the purpose of taking a job in state economic institutions is a member allowed to withdraw at any time from the peasant-working cooperative. Even in that case the land he brought into the cooperative remains there under the same conditions as that for other members (Article 30). However, this very important regulation was entirely changed in 1953 by Article 48 of the decree issued on March 28, 1953 (see detailed explanation in the latter part of this chapter).

The highest organ of the agricultural cooperatives is the general meeting, held at least annually not later than February 1. Members must be present personally, and each member has one vote. Valid decisions may be passed by a majority of the votes, when at least half of the members are present. However, the presence of at least two thirds of the members is required for resolutions on amendments or modifications of the rules, dissolution, division, association, or separation of the cooperative. The board of directors (chairman and four to ten members) and committee of supervisors (three to five members) are elected by the general meeting.

Chapter IV defines the characteristics of the general agricultural cooperative, which is "an economic organization composed of working peasants associated for the purpose of merging and improving agricultural production and other agricultural activities of their own estates, organizing of common production at cooperative farms, common exchange of their products and purchase of industrial goods with the view to increasing their material and cultural standard of life and curbing the capitalist and speculative elements in the village. The general agricultural cooperative is also engaged in ideological and political education of its members and takes care of their health protection."

According to these general purposes, the field of operations involves the complete economic activities of the rural population. As stated by Article 52, "the general agricultural cooperative can deal in purchasing and selling; organize and improve agricultural production of its members; organize and manage cooperative farms; organize and conduct machine, insemination and seed stations; organize nurseries, poultry farms, apiaries, stables and livestock breeding farms; undertake processing activities, irrigation and drainage of the land for the needs of the cooperative and its members; enter the forestry, hunting and fishing business; undertake craftsmanship and industrial activities for the needs of its members; and enter the savings and credit business." The area of operation of a general agricultural cooperative usually consists of only one community, but may cover more villages. Rarely, in larger villages, two or more cooperatives may be established in the same community.

The main distinction between the general agricultural cooperative and the peasant-working cooperative is laid down in the provisions of Article 54: "Members of the general agricultural cooperative do not bring into it their lands and other means of production, but preserve complete ownership of their estates."

The agricultural-peasant-working cooperative, a very important instrument for the communist type of socialization of agriculture, is "an economic organization established by the working peasants who pool their lands and means of production for the purpose of collective agricultural production realized by their common work and based on the principle of remuneration according to the personal share in common production" (Article 61). The law distinguishes four types of agricultural-peasant-working cooperatives:

(1) The cooperators bring their lands into the cooperative, but retain the right of property and receive a small rent;

(2) The cooperators bring their lands into the cooperative while preserving their right of property, but instead of rent receive interest according to the determined value of the land;
(3) The cooperators bring their lands into the cooperative while preserving their right of property, but they renounce all rent and interest;
(4) The cooperators bring in their lands which become common property of the cooperative.

The members are entitled to choose from among these types; however, the general meeting may decide to transform the cooperative of a "lower" type into a "higher" type (number 4 above).

Members of the household joining the peasant-working cooperative may retain a plot of arable land up to 2½ acres (one hectare). In mountain districts, where livestock breeding is predominant, another hectare of pasture may be added. Members also retain the dwelling house, barns, and other buildings necessary for personal farming, the yard and ground under the surface of the retained buildings, and the following domestic animals: one cow with calf (two cows for larger families); one sow with her litter; breeding hog or hogs according to the size of the family; up to five sheep or goats; ten beehives; and any number of poultry and rabbits. The number of animals may be increased in the mountain districts (Article 64).

Members of the peasant-working cooperatives must bring into the cooperative all their lands except the plot they are permitted to retain for personal use. They are also obliged to bring in all agricultural buildings, the entire wood of their forests, the whole inventory, all draught and breeding animals, and all forages and seeds, except what they are entitled to keep back for their own use. Once brought into the cooperative, these objects become cooperative property. The members will be reimbursed for the transferred properties and objects within ten years, but for larger buildings or equipments within fifteen

years. The highest amount that can be paid to the members for their transferred property, buildings, and other inventories will be fixed by the general meeting.

All activities of the peasant-working cooperatives are carried out by personal participation of their members. Their work is performed in working units (Article 76). "Profit sharing of members is determined on the basis of the total income of the cooperative after deduction of the allocations to various funds and rent or interest for the land brought into the cooperative and is counted according to the given work days." Their shares will be fixed in money and paid out at the end of the year in cash or "in natura" (in kind). However, advance allowances can be paid during the year in accordance with the rules. The decree of January 22, 1952, provided cash payment for the earning of the cooperative members calculated on a similar basis to that used in industry and mining.

The general agricultural and peasant-working cooperatives are federated into district unions, to which also other types of agricultural cooperatives should join, if there are any in the same district. These unions have as their objective—besides their organizational, instructional, and control duties—to unite under their economic plan the agricultural cooperative activities in their district. The district unions—about 345 in 1952—belong to the regional unions, which are federated in the six Republican Union of Agricultural Cooperatives, which are the members—with some other cooperative organizations, such as the Shipping and Transport Cooperative, operating in most of the people's republic—of the Central Cooperative Union (*Glavni Zadruzni Savez F.N.R.J.*). This Central Union has been the official supreme cooperative institution of all cooperatives in Yugoslavia, representing their interest at home and abroad, since 1937.

The new type of agricultural-peasant-working cooperatives obtained special legal protection. Persons who prevent the

development of such societies or persuade other persons to leave the cooperative or not to join it commit a crime punishable by imprisonment, deportation to forced labor camps, and confiscation of all private property, according to the size of the crime. Even a death sentence can be imposed if somebody should destroy or demolish cooperative property by fire or by other means in order to ruin the institutions of socialization (Articles 110-117).

A period of eight months was allowed existing cooperatives to bring their former statutes and rules into line with the new Law of June 6, 1949. (Published in the Official Gazette: *Sluzbeni List,* No. 49, June 9, 1949.) Decree Number 19,110, issued by the Minister of Finance on June 7, 1949, gave the regulations concerning the savings and banking business of agricultural cooperatives. They are entitled to establish a credit department that can accept cash deposits from members and nonmembers and make loans to members for production or consumption purposes. The deposits must be transferred to the National Bank in the account of the cooperative. However, the cooperatives can make loans up to 40 per cent of the deposits. These loans are given primarily for production purposes for a period of not longer than three years, repayments falling due semiannually. Members may receive consumption loans in case of emergency or sickness, but only for one year, with repayments due quarterly. The interest rate will be determined by the Minister of Finance.

On June 6, 1949, the general law on handicrafts and artisans was issued. This included the new provisions for the handicrafts' and artisans' cooperatives (Articles 34-50), and replaced the corresponding provisions of the law dated July 18, 1946. Handicraftsmen or artisans and their associates may form handicrafts' or artisans' cooperatives for production, processing, selling, and other services.

The Presidential Decree of November 24, 1949, generally

declared all administrative employees of the cooperatives to be considered in civil service.

The political trend in 1948 after Yugoslavia separated herself from the neighboring communistic states also affected the situation of cooperatives. In addition to the fluctuations in political conditions, the newly organized agricultural-peasant-working cooperatives had to surmount several economic handicaps and difficulties. Additional legislative steps were taken to subsidize them financially, and to strengthen the very often weak financial positions of the peasant-working cooperatives, the state not only subsidized them with loans but also remitted a part of the debts, particularly those used for long-term investments. Such a remittance was granted by the decree of the Minister of Finance on January 7, 1952.

Among the new measures favoring the development of the new-type cooperatives, the combined economic and political instruments in the hand of the communistic state, one of the most important was the formation of funds for mechanization and capital investments of agricultural cooperatives. Two decrees, dated May 30 and August 23, 1950, established these funds organized on a district basis. A cooperative council was created for the administration of the district funds. From fifty to 120 members will be elected to the district cooperative council every year by the general meetings of the general agricultural and peasant-working cooperatives and by other economic organizations operating in the district. This council will elect from its members (except the chairman) an administrative committee consisting of a chairman and from eight to twelve members. The executive administrator is the director (manager) appointed by the district people's council. The cooperative council (and its administrative and executive organs) is the most important supervisory body in a district concerned with the legal activities of cooperatives. The council distributes tractors and other mechanical equipment to support cooperative

farming, supplies materials for the building activities of cooperatives, and places at their disposal the needed technicians and experts. It coordinates the business activities, particularly the selling and buying at the cooperatives, controls the practical use of the received loans, instructs in the method of bookkeeping, and exercises general supervision.

Since Yugoslavia left the Cominform and decided to follow her own way by a nationalistic adaptation of communism, the general policy toward the agricultural cooperatives also has undergone some transformation because cooperative activities were closely built into the national economic plans. The "highest" form of the agricultural-peasant-working cooperatives with the complete collectivization of the private lands of the members was urged with less vehemence. Cooperative farming with the right of individual ownership retained was not abolished. Even the "Central Committee of the Communist Party of Yugoslavia" declared on November 24, 1951: "It would be entirely incorrect and detrimental to underrate the lower forms of agricultural cooperatives and to force only the higher forms of agricultural cooperation." Certainly, this does not mean at all that the final goal—the complete socialization of agriculture and the total collectivization of all private properties via the agricultural-peasant-working cooperatives—was given up. The intensity of such enforced progress was merely tempered in consequence of the serious political, economic, and other problems.

Finally, a complete reorganization of the peasant-working cooperatives was needed, primarily as a result of the very poor efficiency of this type of cooperative. According to official report, the number of peasant-working cooperatives—which increased tremendously in 1949 and 1950—started to fall rapidly in the next years, and only 30 per cent of their original number were active at the end of 1952. The state scored the failure to the changed economic conditions, to the rigid regul-

lations, "which to a certain extent restricted the freedom of the members in settling their internal relationship within the cooperative," and to certain overadministration. The frequently stressed "compulsory" character of these cooperatives was officially denied and refuted, it being pointed out that the "peasant-working cooperatives differed essentially from the *kolkhoses* in the USSR"; it was admitted, however, that "there still were certain elements of the kolkhose methods" in these organizations. "In order to enable the free development of the peasant-working cooperatives, it was, undoubtedly, necessary to purge them of such elements and such practice."

The decree issued on March 28, 1953, contains regulations concerning the property relations and reorganization of agricultural-peasant-working cooperatives. This decree intends not only to amend the previous laws and orders, but entirely changes the full construction of the peasant-working cooperatives in a time of crisis. The "General Provisions" in the first nine articles of Title I emphasize the voluntary decision of the peasants whether to organize a cooperative and in which form. The relationship between members and the cooperative will be regulated by a contract that can be made in the application form for admission. This contract has to stipulate the obligations of the members and of their cooperative.

The second title (Articles 10-19) provides for the reorganization of the peasant-working cooperatives. The general meeting, by the majority vote of the members, may decide to reorganize the peasant-working cooperative into the form of general or other type of agricultural cooperative. Remaining members may continue the activity of the present peasant-working cooperative, or they may form a new one. The very important question of the withdrawal of the members is regulated by Articles 20-29 in Title III. The basic law on agricultural cooperatives of June 6, 1949, provided for a term of three years before the member can leave the peasant-working

cooperative. However, this term expired for the majority of the members in 1952. This decree allows the members to decide the compulsory term of membership by the statutes or in the contract. If no special term is provided, the formerly stated three years will remain the period after which the member may withdraw (Article 20). Article 21 points out clearly that the cooperative has to return the land that the withdrawing member brought into the cooperative. If it is impossible to return the same land, the cooperative will compensate the member with other land having the same value, or if the value is less than that of the original land, the difference shall be paid out in cash within eight years and according to the actual value. (The decree does not mention any payable interest if the member's landed property will be paid out partly in cash in the provided maximum term of eight years.)

Titles IV and V (Articles 30-45) provide for the liquidation of the peasant-working cooperative in case of dissolution and for the settling of property relations if the cooperative will be reorganized or dissolved. The disputed questions may be brought up to regular courts, which have to proceed urgently.

Article 46, Title VI, sets up fines—jail up to thirty days or 100,000 dinars forfeit—if the member should occupy arbitrarily his land before the execution of the decree. Among the provisional and final regulations given in Title VII (Articles 47-55), one of the most important provisions is given in Article 48, which authorizes the members of the existing peasant-working cooperatives to withdraw from the membership in 1953 without respect to the prescribed period of three years. This single article refers to the basic law on agricultural cooperatives in 1949 (Article 30); however, it is evident that with the exception of the basic law, this decree is the most important and significant for the development of agricultural-peasant-working cooperatives.

In a stage of political controversy and uncertainty, when new attempts are being made to reorganize the state-owned or state-controlled economy, the status of cooperatives is also obscure, because they are no longer pure economic organizations but are entrusted with important political tasks and are the most important means in the field of agriculture for the socialization of the village. This means that cooperatives in Yugoslavia have a combined political and economic purpose. Evidently, they have to follow closely all changes and transitions effected by the political conditions that will or may come. These facts may involve also new, probably only provisional, legislative actions until the legal status of cooperatives is more stable or at least does not undergo the drastic and immediate changes that continuously took place during the postwar period of 1946-1953.

Austria

Law on cooperative credit societies—1882.
Law on Raiffeisen and other societies—1873.
Decree on the inspection of cooperative societies—1903.

Hungary

Revised Commercial Code—1875.
Law on cooperative credit societies—1898.

Serbia

Law on agricultural and trade cooperatives—1898.
Law on postal exemption for agricultural cooperatives—October 4, 1899.
Law on state assistance for agricultural cooperatives—January 26, 1900.

Yugoslavia

Law on agricultural credit—June 17, 1925.
Regulations concerning the registration of associations founded under the Agricultural Credit Law—October 21, 1927.
Decree modifying the law of May 20, 1922, on loans without interest made to cooperative associations of voluntary colonists, agriculturists, and others interested in the agrarian reform—March 30, 1928.
Law modifying and completing the law on the Privileged Agricultural Bank—February 25, 1930.
Law on health cooperatives—December 31, 1930.

Ordinance relating to the protection of the agricultural cooperative credit societies and their unions—November 23, 1934.

Regulations concerning the application to agricultural cooperative societies of the ordinance of February 2, 1935, amending and supplementing the ordinance of August 3, 1934, respecting the protection of agriculturists—March 25, 1935.

Act on economic cooperative societies—September 24, 1937.

Rules respecting the application of the law on health cooperative societies—January 12, 1938.

Law on land reform and resettlement—August 23, 1945.

Law on cooperatives—July 18, 1946 (abrogated).

*Law on agricultural cooperatives—November 19, 1947.

Decree to establish a Cooperative Committee of the Federal Government and to determine the powers and duties thereof—January 22, 1948.

Ministerial decree on selling agricultural machinery to agricultural working cooperatives—July 19, 1948.

Law on consumer cooperatives—July 30, 1948.

Rules of using agricultural machines by agricultural working cooperatives. (Issued by the President of the Cooperative Committee of the Federal Government.)—July 19, 1948.

Law on fisheries cooperatives—December 15, 1948.

Decree to abolish the Cooperative Committee of the Federal Government—December 31, 1948.

Regulations concerning credit facilities of agricultural working cooperatives. (Issued by the Minister of Finance.)—February 26, 1949.

Regulations concerning the deposit-interest of agricultural working cooperatives. (Issued by the Minister of Finance.)—February 26, 1949.

Rules for using registration and controlling of state scripts applied in the restricted trade by agricultural working cooperatives. (Issued by the Minister of Commerce and Public Supply.)—March 1, 1949.

Presidential Decree on the property tax of agricultural working cooperatives—April 4, 1949.

Decree on investment and short-term credit facilities for agricultural working cooperatives—April 6, 1949.

Rules for using state scripts in the restricted trade by the members of agricultural working cooperatives. (Issued by the Minister of Commerce and Public Supply.)—April 8, 1949.

Regulations for the execution of the decree on credit facilities for agricultural working cooperatives. (Issued by the Minister of Finance.)—April 16, 1949.

Decree concerning the economic plans for agricultural working cooperatives. (Issued by the Minister of Agriculture.)—May 3, 1949.

Decree concerning the limitation of the quantity of wool held for their own household by the members of the agricultural working cooperatives. (Issued by the Minister of Agriculture.)—May 3, 1949.

*Fundamental law on agricultural cooperatives—June 6, 1949.

General law on handicrafts—June 7, 1949.

Decree on savings and credit operations of agricultural cooperatives. (Issued by the Minister of Finance.)—June 7, 1949.

Decree concerning the distribution of grain production for the members of the agricultural working cooperatives. (Issued by the Minister of Agriculture.)—August 22, 1949.

Decree concerning the economic plans for agricultural working cooperatives for the year 1950. (Issued by the Minister of Agriculture.)—October 18, 1949.

Decree concerning the exchange of products between agricultural working cooperatives. (Issued by the Minister of Commerce and Public Supply.)—November 21, 1949 (abrogated).

Presidential Decree concerning the cooperative employees—November 24, 1949.

Decree concerning the compulsory delivery of agricultural products by the agricultural working cooperatives and settling and adjusting accounts on state scripts. (Issued by the Minister of Foreign Trade.) —January 25, 1950.

Presidential Decree concerning the cooperative livestock breeding—April 11, 1950 (abrogated in 1952).

Decree concerning the fund for mechanization and capital investments of cooperative agriculture—May 30, 1950.

Fundamental law on management of state economic enterprises—July 2, 1950.

Decree concerning the registration of cooperative and handicrafts workshops and plants (Issued by the Minister of Finance)—July 31, 1950.

Decree concerning the fund for mechanization and capital investments of cooperative agriculture—August 23, 1950.

Decree concerning the exchange of products between agricultural working cooperatives—October 25, 1950.

Ordinance concerning the special assignment of civil service employees at agricultural working cooperatives—January 27, 1951.

Decree concerning the compulsory delivery of agricultural products by the agricultural working cooperatives—January 27, 1951.

Decree concerning the fund for mechanization and capital investments of cooperative agriculture (in accordance with Articles 30 and 34) —February 13, 1951.

Decree concerning the commercial activities of the general agricultural cooperatives—July 20, 1951.

Decree on acquisition of land for completion of cooperative farms—January 5, 1952.

Decree concerning cancellation of cooperative long-term investment debts (Issued by the Minister of Finance)—January 7, 1952.

Decree on calculation of expenses for agricultural (general and working) cooperatives—January 22, 1952.

Decree granting premiums for agricultural cooperatives participating in agricultural export—January 28, 1952.

Decree abolishing the Presidential Decree on cooperative livestock breeding dated April 11, 1950 (except Article 7)—February 29, 1952.

*Decree concerning property relations and the reorganization of agricultural working cooperatives—March 28, 1953.

Regulations concerning the procedure in financial transactions between agricultural working cooperatives and their members in the case of the reorganization and liquidation of the cooperative—May 23, 1953.

APPENDIX I

THERE are a few countries in Europe, which, during their short period of independent state life, have enacted quite a number of cooperative laws. From a historical point of view it is worthy to summarize their cooperative legislations, because these also belong to the general development of international cooperative legislation and sometimes added certain special and significant provisions to the general characteristic of cooperative laws known in other countries.

A. Baltic States

The three Baltic States—Estonia, Latvia, and Lithuania—had a quite progressive cooperative movement prior to the time of their short-lived independence, *i.e.*, before 1918. In accordance with their political status, the Russian laws provided the legal regulations for cooperatives during that time. In the first days of the Russian revolution, a law of cooperation was passed—on March 20, 1917. This law no longer applied in Russia, which by the next November had become the Soviet Republic. But the law was very important in providing a common basis for the cooperative legislation in all of the three Baltic States.

The Russian law of 1917, which never had any influence on cooperatives in its country of origin, generally incorporated

all the basic principles of cooperation as applied and interpreted in other European countries. Therefore, it offered a natural and acceptable starting point for the cooperative legislation of the Baltic States when they began to build up their own legal systems.

1. Estonia

The Russian cooperative law of 1917 was enacted in Estonia with some modifications on March 21, 1919. During the next twenty years this basic act remained the general code for cooperatives with several amendments and modifications. It provided that a cooperative society shall have open membership composed of at least seven members, and the liability of the members may be limited or unlimited and continues one year after the withdrawal. Each member has one vote, and proxy voting is not permitted. In case of credit cooperatives, a supervisory council is also compulsory. Practically in all types of cooperatives, the board of directors and auditors are elected by the general meeting, except in cases where the statutes of the society provide otherwise. Cooperatives with a membership over 300 may institute delegate meetings in place of general meetings. No interest on deposits or on shares should exceed 8 per cent, and at least one fifth of the annual surplus goes to the reserve. Cooperative societies may form federations or unions.

A Chamber of Cooperation was instituted by a Presidential Decree in 1935, which was amended several times in the following years. The compulsory auditing of cooperatives was extended by a special law and its Executive Order in 1937.

*Law relating to cooperative societies and their unions—March 21, 1919.
Law on cooperative auditing—December 17, 1919.
Law on cooperative credit banks—April 9, 1920.
Law concerning the formation of a state fund for loans to cooperative dairies—June 20, 1924.
Law regarding gold balances—December 18, 1925.
Amendment to the law on gold balances—February 18, 1926.

Law modifying the law on cooperative societies and their unions—March 26, 1926.
Law amending the law on cooperative societies—1927.
Law concerning an agricultural fund—July 12, 1930.
Amendment of the law on cooperative societies and their unions—May 8, 1931.
Amendment of Section 35 of the law on cooperative societies and their unions—March 24, 1932.
Law to amend the law respecting cooperative associations and their unions—December 20, 1933.
Law to amend and supplement the law respecting cooperative societies and their unions—February 27, 1935.
Amendment of the law on cooperative societies and their unions—June 26, 1935.
Decree of the President of the Republic: Law respecting the Chamber of Cooperation—November 22, 1935.
Law to amend the law respecting the Chamber of Cooperation—February 28, 1936.
Instruction for the elections to the Chamber of Cooperation—March 7, 1936.
Provisional instruction respecting the Chamber of Cooperation—June 17, 1936.
Law to amend the law respecting cooperative associations and their unions—November 11, 1936.
Law to amend and supplement the law respecting the Chamber of Cooperation—December 30, 1936.
Law respecting the auditing of the accounts of cooperative societies and their unions—January 15, 1937.
Order respecting the auditing of the accounts of cooperative institutions —March 13, 1937.
Law to amend the law respecting the Chamber of Cooperation—December 1, 1937.

2. *Latvia*

This state re-enacted the Russian cooperative law of 1917 with only minor modifications on September 5, 1919. The basic principles and general provisions remained, however, and are similar to those applied in the other two Baltic States. Registration of cooperatives was required by a general law concerning societies, companies, and political organizations. The State Economic Department in the Ministry of Finance supervised the cooperatives. A state auditing board was established in 1927, to which all cooperatives had to submit at least bi-

ennially their accounts for official audit in order to prove that (1) their business is conducted in genuine cooperative manner and (2) their books are kept properly.

An official Central Organization of Cooperative Societies was created by a law of December 30, 1936, with several amendments being added during the following years. Various laws established a special cooperative fund to subsidize such organizations. Similarly, the state participated by subscribing share capital in handicraftsmen's cooperative societies, as provided by the law of November 10, 1938. Organization of school cooperatives was furthered by the law of January 27, 1939.

*Regulations concerning cooperative societies and their unions—September 5, 1919.
Law on political associations, assemblies, and organizations—July 18, 1923.
Additions and amendments to the law of 1919—June 19, 1924.
Instructions to societies for the breeding of pure breeds of domestic animals—November 14, 1924.
Additions and amendments to the law of 1919—June 16, 1927.
Modification of the order respecting cooperative societies and their unions—January 20, 1933.
Amendments to the order respecting cooperative societies and their unions—April 28, 1933.
Instructions for the application of the order respecting cooperative societies and their unions—July 11, 1933.
Amendment to the order respecting the winding up of cooperative societies and their unions after their dissolution by judicial order—October 3, 1933.
Amendment to the order respecting the cooperative societies and their unions—October 5, 1933.
Order to restrict the activities of cooperative societies and their unions during the period of the exceptional regime—May 4, 1934.
Law on creation of a Central Organization of Cooperative Societies—December 30, 1936.
Amendment to the law concerning the creation of a Central Organization of Cooperative Societies—January 23, 1937.
Instructions under the law respecting the establishment of a Central Organization of Cooperative Societies—January 21, 1937.
Law respecting cooperative societies and their unions—June 18, 1937.
Instructions amending the instruction under the law to establish a Central Organization of Cooperative Societies—January 11, 1938.
Law respecting the Cooperative Societies Fund—January 17, 1938.

Law respecting the state guarantee fund for deposits with credit cooperative societies—January 17, 1938.
Law to provide for the rationalization of the activities of cooperative dairies—February 12, 1938.
Law respecting nonprofit-making associations and their federations—February 14, 1938.
Law to amend and supplement provisions of the laws respecting cooperative societies and their unions—April 28, 1938.
Instructions under the law respecting the Cooperative Societies Fund—June 1, 1938.
Instructions under the law respecting the State Guarantee Fund for deposits with credit cooperative societies—June 1, 1938.
Law respecting the participation of the state to the constitution of share capital in handicraftmen's cooperative societies—November 10, 1938.
Law respecting school cooperative societies—January 27, 1939.
Law to amend the law on nonprofit-making associations and their federations—February 16, 1939.
Law to amend and supplement provisions of the laws respecting cooperative societies and their unions—July 20, 1939.

3. Lithuania

After 1918, independent Lithuania made continuous efforts to develop her cooperative movement. A special Department of Cooperation connected with the Ministry of Commerce and Industry fostered progressive legislation for cooperatives. The basic cooperative law was enacted on January 30, 1919, and was also modeled after the Russian cooperative law of 1917. It pertained to all kinds of cooperatives and greatly facilitated and simplified the foundation and activity of all cooperatives. The various cooperatives formed unions or national leagues, and the credit cooperatives belonged to three central organizations. The second cooperative congress in 1922 was called in order to discuss the foundation of a cooperative council to centralize all common affairs of cooperatives, particularly concerning their legal status, their rules and statutes, and general cooperative education.

It was notable that the state encouraged and assisted the organization of cooperatives only in the early years of independ-

ence. In 1920, when the cooperatives became stronger financially and did not require special attention on the part of the state, the Department of Cooperation was dissolved. In addition, the relatively few cooperative laws and orders—in comparison with the cooperative legislation of the other two Baltic States—show that the state did not wish to particularly interfere with cooperatives. However, the state did extend the tax exemption privilege for cooperatives to 1940 (time of the Soviet occupation). The general Commerce, Industry, Credit, and Trade Profit Taxation Law exempted the following types of cooperatives from profit taxes: (1) consumers' cooperative societies with a capital under 50,000 litas; (2) all credit and agricultural cooperatives; (3) all kinds of cooperative unions; and (4) consumers' cooperatives with a capital over 50,000 litas, if they trade exclusively with members.

*Law on cooperative societies and their unions—January 30, 1919.
Modification concerning the law on cooperative societies and their unions—March 23, 1932.

B. Danzig (Free City)

The establishment of the Free City of Danzig was basically an undecided provision of the Treaty of Versailles (Article 102) after World War I. It brought about several political controversies and a permanent legal uncertainty in the territory of 754 square miles with a population of a little over 412,000. This was reflected also in the legislative actions of the short-lived Free City, of which the "*Volkstag*" and Senate were primarily forums for sharp political discussion. There was no intention of establishing a permanent institution, and the legal orders were designed only to solve temporary difficulties without providing final regulations. The orders issued concerning the operation and activities of the cooperative societies tried to continue the legal development of German cooperatives. However, they also concerned some local conditions that re-

quired certain new regulations for the active cooperatives. Cooperative legislation in the former Free City of Danzig is mainly a historical reminiscence demonstrating how political conflicts may influence the functions of cooperative societies. The constitution of Danzig was proclaimed in final form on July 12, 1922, and the most important orders pertaining to cooperatives were issued between 1934-1938.

Order concerning the dissolution and liquidation of societies and cooperatives—November 1, 1934.
Order concerning the modification of the cooperative law (German) —November 12, 1934.
Executive provisions for the cooperative law as modified by the order dated November 12, 1934—November 12, 1934.
Order concerning the modification of the Commercial Law, of the law of societies with limited liability and of the cooperative law—November 30, 1937.

APPENDIX II

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(The following is a summary of publications used in this book and which should give further references for interested readers concerning cooperative legislation in the individual countries.)

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